



MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2004

MISSOURI DEVELOPMENT FINANCE BOARD
A COMPONENT UNIT OF THE STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

**PREPARED BY:
THE ACCOUNTING DEPARTMENT:**

- **PAMELA IVES HILL, CPA, EDFP – ASSISTANT DIRECTOR
& CONTROLLER**
- **KRYSTAL SABARTINELLI – ACCOUNTANT**
- **TONYA LOUCKS – ACCOUNTANT**

MISSOURI DEVELOPMENT FINANCE BOARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004

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INTRODUCTORY SECTION

MISSOURI DEVELOPMENT FINANCE BOARD

Principal Officials

BOARD MEMBERS

Ms. Elizabeth T. Solberg, Chair
Mr. John D. Starr, Vice Chair
Mr. Larry D. Neff, Secretary
Mr. Bill Burch, Treasurer
Mr. Paul S. Lindsey
Mr. James O'Mara
Mr. Richard J. Wilson
Mr. Nelson C. Grumney, Jr.
Mr. James D. Hill
The Honorable Joe Maxwell, Lieutenant Governor
Mr. Kelvin L. Simmons, Director,
Department of Economic Development
Mr. Peter Hoefherr, Director, Department of Agriculture

BOARD COUNSEL

Mr. David Queen, Esq. Gilmore & Bell, P.C.

STAFF

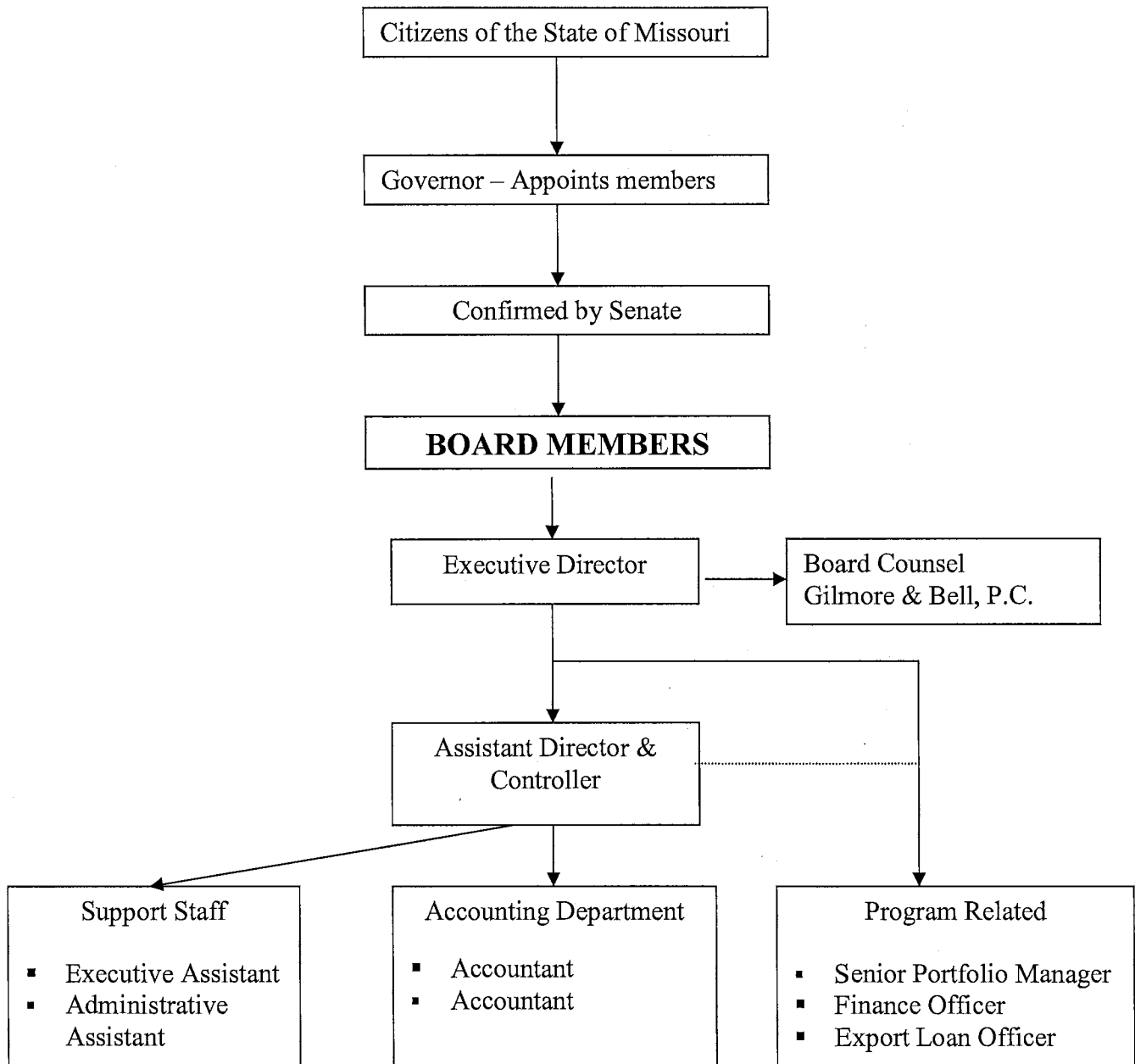
Mr. Robert V. Miserez, Executive Director
Ms. Pamela Ives Hill, CPA, EDFP, Assistant Director & Controller
Ms. Krystal Sabartinelli, Accountant
Ms. Tonya Loucks, Accountant
Ms. Kathleen Barney, Sr. Portfolio Manager
Ms. Alice Bernard-Jones, Export Loan Officer
Ms. Cheryl M. Morgan, Administrative Assistant

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams Keepers LLC

MISSOURI DEVELOPMENT FINANCE BOARD

Organizational Chart



CHAIR:
ELIZABETH T. GOLBERG

MEMBERS:
BILL BURCH
JOHN D. STARR
PAUL S. LINDSEY
JAMES O'MARA
LARRY NEFF
RICHARD J. WILSON
NELSON G. GRUMNEY, JR.
JAMES D. HILL



EX-OFFICIO MEMBERS:
JOE MAXWELL
LIEUTENANT GOVERNOR

KELVIN L. SIMMONS
Director,
Economic Development

PETER HOPFERR
Director, Agriculture

EXECUTIVE DIRECTOR:
ROBERT V. MISEREZ

MISSOURI DEVELOPMENT FINANCE BOARD

November 7, 2004

Members of the Missouri Development Finance Board:

We are pleased to submit the comprehensive annual financial report of the Missouri Development Finance Board (the "Board") of the State of Missouri for the fiscal year ended June 30, 2004. The accounting department prepared this report, while responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Board. We believe this data, as presented, is accurate in all material respects; that it is presented in a manner designated to fairly set forth the financial position and results of operations of the Board as measured by the financial ability of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Board's financial affairs have been included.

REPORT ORGANIZATION

The comprehensive annual financial report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the transmittal letter, a list of principal officials, and an organizational chart. Included in the transmittal letter is an analysis of revenues and expenditures in the Board's funds.

The Financial Section includes the independent auditors' report, the Management Discussion and Analysis (MD&A), the financial statements, and the notes to the financial statements. The MD&A, required by U.S. generally accepted accounting principles, provides a narrative introduction, overview, and analysis to accompany the financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The Statistical Section contains comprehensive statistical data for the Missouri Development Finance Board and the State of Missouri. The statistical section is designed to provide the user of the Comprehensive Annual Financial Report a broader and more complete understanding of the Board and the State of Missouri. Where appropriate, ten-year comparative data is presented to indicate trends.

REPORTING ENTITY

The Missouri Development Finance Board is a "body corporate and politic" created by the State of Missouri. Its statutory citation is the Revised Statutes of Missouri (RSMo) 100.250 to 100.297. The Board's primary function is to structure and participate in the financing of Missouri business and public infrastructure. The Board is classified as a proprietary fund and is a discretely presented component unit within the State of Missouri's Comprehensive Annual Financial Report.

STRUCTURE, ECONOMIC CONDITION, AND OUTLOOK

The original development board was created by Missouri statute in 1982 as the Missouri Industrial Development Board. The current legislative authorization dates to 1993 and was the fourth major statutory change since 1982. Each of these changes resulted in increased authority and responsibility for the Board in economic development and infrastructure financing.

The Board provides a diverse array of financing programs and structures to carry out its mission of facilitating economic and infrastructure development projects. The Board administers eleven different programs that correspond to its mission to benefit the citizens of the State of Missouri. The Board's programs include:

1. Single issue industrial revenue bond projects - Private purpose projects.
Pursuant to RSMo 100.270, the Missouri Development Finance Board is authorized to issue industrial revenue bonds. Interest on these bonds can be taxable or tax exempt. The bonds can be issued for the acquisition or renovation of fixed assets owned by businesses involved in the manufacturing or production of tangible products.
2. Single issue infrastructure bond projects. - Public purpose projects.
Missouri Statute 100.263 authorized the public purpose infrastructure bond program in 1989. These bonds finance essential infrastructure improvements and related work for local governments, state agencies, and qualified public/private partnerships.
3. Missouri Tax Credit for Contributions.
Missouri Statute 100.286.6 authorized the Missouri Tax Credit for Contributions program. Through this program, the Missouri Development Finance Board is authorized to grant tax credits equal to fifty percent of contributions. Contributions are used to pay the costs of projects for Missouri governmental, quasi-governmental and nonprofit entities which have been approved by the Board. Per statute, the Board is authorized to use a maximum of \$10 million in tax credits during any *calendar year*. The statutory limitation can be exceeded with the consent of the Directors of Economic Development and Revenue and the Commissioner of Administration.
4. Tax Credit Bond Enhancement Program.
The Tax Credit Bond Enhancement Program provides a tax credit enhancement on behalf of Public Entities for certain bonds. This program uses the Board's bond tax credits as collateral.
5. Direct Loan Program.
The Direct Loan Program provides direct loans at reasonable interest rates.
6. BUILD Missouri (Business Use Incentives for Large-Scale Development) Program.
The BUILD Missouri Program is an incentive tool that allows the Department of Economic Development and the Board to finance a portion of the costs of qualifying capital investments for eligible businesses that seek to locate or expand in Missouri. The incentives offered by BUILD are designed to offset infrastructure and other capital costs of certain large projects by making the cost of investing in Missouri more competitive.

7. Quick Loan Program.
The purpose of this program is to provide Missouri governmental and quasi-governmental entities quick access to short-term loans at tax-exempt rates. Loans should be for a minimum of \$250,000 with a maximum maturity of seven years. Loans need not be secured by any property and may be subject to annual appropriation. Borrowers must have a demonstrated history of repayment ability.
8. Missouri Infrastructure Loan Program (MIDOC).
Through this program, the Board offers long-term, low-interest loans to local political subdivisions, including public water and sewer districts, to fund infrastructure improvements. Water and sewer projects addressing public health and safety receive priority. The Program is structured as a revolving loan program with repayment proceeds used to provide additional loans for eligible infrastructure projects. Interest rates are three percent with a maximum loan amount of \$100,000.
9. Loan Guarantees.
The Board is empowered under RSMo section 100.250 and 100.297, as amended, to guarantee loans to credit-worthy businesses which cannot otherwise obtain credit at reasonable rates and terms in order to create or retain full-time employment.
10. City/State Partners Program.
The City/State Partners Program is a joint effort between the Ex-Im Bank and state and local entities around the country to bring Ex-Im Bank's financing services to small and medium-sized U.S. companies that are ready to export. The Board markets programs offered by the Ex-Im Bank and packages applications for these programs. The Board's relationship with the Ex-Im Bank provides Missouri companies a direct line to export financing. In addition, the Board's relationship with the U.S. Small Business Administration (SBA) and the State Treasurer's Office provide loan programs to support the production of goods and services for export.
11. Missouri Downtown Economic Stimulus Act (MODESA)
The MODESA Program is an incentive tool that allows the Department of Economic Development and the Board to facilitate the redevelopment of downtown areas and the creation of jobs by providing essential public infrastructure. A portion of the new state and local taxes created by a project can be diverted to fund eligible public infrastructure and related costs for a period of up to 25 years. The local match must be, at a minimum, 50% of the amount of the new local sales tax (and earnings tax in St. Louis and Kansas City) and 100% of the amount of the new real property tax created by the project each year; or a comparable amount of local funds from the city/county or a non-profit organization

The Board completed fiscal year 2004 in excellent financial condition. The change in net assets in fiscal year ended June 30, 2004 was \$7,275,036 versus \$10,961,330 in fiscal year 2003. The Board's activities not only provided funding for the Board's operations but also helped maintain the Board's balance sheet. Assets were \$112,704,153 and \$96,519,580 at June 30, 2004 and June 30, 2003, respectively. The Board's involvement in very large projects has grown and, correspondingly, the Board's on-going responsibility to monitor those projects and their funds has significantly increased.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The economic outlook will follow the national trends during fiscal year 2004. At the end of June 2004, the state unemployment rate was 5.2% compared to 5.7% at the end of June 2003. The national rate was 5.6% and 6.4% at June 30, 2004 and 2003, respectively.

MAJOR INITIATIVES

During fiscal year ended June 30, 2004 the Board has assisted 13 projects that will result in total Board related financing of almost \$221.8 million dollars. The Board has authorized an additional 5 projects that are in various stages of development that will result in over \$32.4 million in financing once complete. During fiscal years ended June 30, 2003 and 2002, the Board assisted 12 and 30 projects, respectively.

St. Louis Cardinals Stadium and Ballpark Village

In November 2003, the Board approved the issuance of up to \$29,450,000 in Tax Credits for Contribution for public infrastructure associated with the new St. Louis Cardinals Ballpark development in downtown St. Louis. In addition, the Board funded an additional investment of \$48 million secured by and repaid from St. Louis County with the Board's Infrastructure Revenue Bond program. The Board's involvement through the Bond program does not derive from any of its own assets, but rather acting in a conduit capacity.

Ninth Street Garage and Old Post Office and U.S. Custom House

In November 2002, the Board approved the Ninth Street Garage and Old Post Office and U.S. Custom House (NSG/OPO) plan utilizing the Tax Credits for Contribution program. The Board will accept up to \$28,000,000 in contributions for \$14,000,000 in tax credits to provide for staging the overall NSG/OPO project in St. Louis. The money will be used for the acquisition, environmental remediation, and demolition of the Century building. Further, the Board will construct, own, and operate the Ninth Street Garage on the site of the Century building and acquire and lease the Old Post Office and U.S. Custom House.

The "Old Post Office Project" or the "OPO Project," consists of the acquisition and renovation of the U.S. Custom House and Old Post Office. Construction was started on this 242,000 square foot building in 1872 and was finished by 1884. It is currently designated a National Historic Landmark. The "Ninth Street Garage Project" or the "NSG Project" consists of the acquisition and demolition of the Century Building, and the construction of a new 1,050 space multi-level parking garage located to the west of the OPO Project."

The parking made available by the development and construction of the Ninth Street Garage is a condition of the redevelopment of the Old Post Office and U.S. Custom House building nearby. The Old Post Office redevelopment would not occur without the availability of parking provided by the Ninth Street Garage.

The Board acquired title to the OPO Project on October 13, 2004 from the General Services Administration of the United States of America. Total costs of the OPO project, with financing costs and reserves, are approximately \$44,940,000, exclusive of contributions made by the OPO Project to the NSG Project.

The NSG Project consists of the development and construction of an approximately 1,050-space parking garage to be located on the west side of Ninth Street directly across from the OPO Project. The Board owns the NSG Project. The total costs of acquiring, constructing and providing for the initial operations of the NSG Project are estimated to be \$32,793,200. Approximately \$15,793,000 of this amount was funded by the Board from the proceeds of contributions made by St. Louis businesses and foundations pursuant to the Board's tax credit for contribution program. An additional amount of \$500,000 has been contributed by the Board from its cash reserves. The balance of the NSG Project costs will be funded from the proceeds of the Board's \$16,500,000 Infrastructure Facilities Revenue Bonds (Ninth Street Garage Project) Series 2004 issued on October 14, 2004. See Note 14 of the Notes to Financial Statements for further details.

BUILD Missouri

RSMo Section 100.700 approved the Business Use Incentives for Large-Scale Development Act that created the BUILD Missouri program. During fiscal year 2004, five issues were approved while one issue was closed. During fiscal year 2003, one issue was approved while three issues were closed. During fiscal year 2002, three issues were approved and three issues were closed.

Since the program's inception, the Board has approved 27 BUILD bond projects for various locations throughout the State. The total jobs created—once all currently approved BUILD bonds are issued—will be over 11,706 jobs and will include over \$1.48 billion in new private investment within Missouri.

Smaller Communities

While many of the bond and tax credit projects are very large, the Board continues to work toward its goal to actively seek out-state projects (outside the metropolitan areas of Kansas City and St. Louis). These efforts can be demonstrated by the initiation of the Downtown Revitalization Tax Credit for Contribution Program that focuses on smaller, out-state communities. In January 2001, the Board approved the restructuring of the Downtown Revitalization Tax Credit Program and allocated \$500,000 in tax credits annually to help maximize the program's impact on smaller communities. The Board has given formal approval to the revitalization plans of the Cities of Lexington, Sweet Springs, Versailles, Charleston, Monett, Warsaw, Warrensburg, Cabool, Jefferson City and Neosho.

In addition, during fiscal years 2004 and 2003, the Board approved two and five, respectively, new Infrastructure Development Fund (MIDOC) loans to improve the water and wastewater system needs of smaller communities. During its history, the MIDOC program has issued 71 out-state loans with over \$4.31 million in loaned principal.

Future Projects

The Board has many significant projects in progress that will impact both the metropolitan and rural areas of the State. The Board continues to work to improve the area around one of its most complex projects, the St. Louis Convention Center Hotel.

Furthermore, The Board is continuing work with the City of Kansas City on projects with the Kansas City Public Library Garage, Performing Arts Center and KC Live.

In addition, the Board has four BUILD bonds in process and one other bond project authorized, but not yet issued.

FINANCIAL INFORMATION

Internal Controls

In fulfilling its responsibilities for reliable financial statements, management depends on the Board's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and transactions are executed in accordance with management's authorization and properly classified. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The members of the Board review and approve financial information on a monthly basis for appropriateness, reliability, clarity, and timeliness.

Budgetary Controls

The Board is not legally required to adopt a fiscal budget, has not adopted a fiscal budget, and hence, no budget-to-actual schedules are included within the financial statements.

Primary Functions

The Board's mission is to assist infrastructure and economic development projects in Missouri that have a high probability of success, but are not feasible without the Board's assistance.

The Board's primary function is to structure and participate in the financing of Missouri business and public infrastructure. As mentioned before, the Board administers ten different programs that correspond to its mission to benefit the citizens of the State of Missouri.

Proprietary Operations

The Board's funds are all proprietary – enterprise funds and are maintained on the accrual basis of accounting. Thus, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Debt Administration

One of the Board's primary functions is as a conduit issuer of bonds for public and private entities. With the exception of the St. Louis Conference Center Hotel project entered into during fiscal year 2001, the Board has no liability for repayment of revenue bonds and funding notes aside from any required reserve fund deposits and, accordingly, these bonds and notes have not been recorded in the accompanying financial statements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

The Board owns a parking garage, the St. Louis Conference Center Hotel Parking Garage (also know as Ninth Street and St. Charles garage), which began operations in August 2002 to serve the St. Louis Conference Center Hotel and adjacent developments.

For additional information regarding the Board's debt, refer to Note 7 of the Notes to the Financial Statements and the debt-related tables presented in the Statistical Section of this Report.

Cash Management

The accounting department strives to keep abreast of current trends and procedures for cash management and forecasting to insure the efficient and profitable use of the Board's cash resources. Interest bearing accounts are used for all cash operations, with excess funds invested primarily in short-term U.S. Government Agency securities. All funds in bank accounts are 100% collateralized.

Risk Management

Fiduciary bonding and workers compensation insurance are maintained through various commercial insurance companies. The Board carries commercial property, comprehensive liability, and business interruption insurance policies on the St. Louis Conference Center Hotel parking garage and the Kansas City Library parking garage. The Board is self-insured for all other risks of loss.

The Board maintains employee health insurance through the Missouri Consolidated Health Care Plan. The Board pays for employee and family coverage for the least expensive plan option with the employee paying the difference if a more expensive plan is chosen.

The Board provides life insurance for its employees at two times their annual salary and long-term disability insurance through American General and Northwest Mutual Insurance Company respectively.

OTHER INFORMATION

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Missouri Development Finance Board for its Comprehensive Annual Financial Reports for the fiscal years ended June 30, 2003, 2002, 2001 and 2000. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Independent Audit

Williams-Keepers LLC audited the financial statements for the fiscal year ended June 30, 2004, and their opinion has been included in this report. The audit was conducted in such a manner as to enable Williams-Keepers LLC to form an opinion on the financial statements taken as a whole. Williams-Keepers LLC has issued an unqualified opinion on the Board's combined financial statements. Their audit was made in accordance with U.S. generally accepted auditing standards.

An unqualified opinion is the best opinion an organization can receive on its financial statements from an independent certified public accountant. It indicates that the auditors' examination has disclosed no conditions that cause them to believe that the financial statements are not fairly presented in all material respects.

ACKNOWLEDGEMENTS

The preparation of the comprehensive annual financial report could not have been accomplished without the dedicated services of all Board staff. We would also like to thank the firm of Williams-Keepers LLC and their staff for their assistance in the preparation of this report.

Respectfully submitted,

Pamela Ives Hill, CPA
Assistant Director & Controller

Krystal Sabartinelli
Accountant

Tonya Loucks
Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Development Finance Board

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



WILLIAMS

KEEPERS LLC

105 E. Ash St. Columbia, MO 65203 (573) 442-6171 (573) 449-5196

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

COLUMBIA
JEFFERSON CITY
MEXICO

INDEPENDENT AUDITORS' REPORT

Members of the Missouri
Development Finance Board:

We have audited the accompanying financial statements of the Industrial Development and Reserve Fund, Parking Garage Fund, Infrastructure Development Fund, and the business-type activities of the Missouri Development Finance Board (the Board), a component unit of the State of Missouri, as of and for the years ended June 30, 2004 and 2003, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Development and Reserve Fund, Parking Garage Fund, Infrastructure Development Fund and the business-type activities of the Missouri Development Finance Board as of June 30, 2004 and 2003, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

August 29, 2004, except Notes 12 and 14 as to
which the date is October 13, 2004.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

Management's Discussion and Analysis

As management of the Missouri Development Finance Board (the "Board"), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of our organization for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the 2004 fiscal year by \$57,426,000 (*Net Assets*). Of this amount, \$29,624,972 (*Unrestricted Net Assets*) may be used to meet the Board's ongoing obligations to citizens and creditors.
- The Board's total net assets increased by \$7,275,036 during fiscal year 2004. Approximately 80% of this is for contributed revenue for the tax credit for contribution program that will be used to build parking garages the Board will own and operate in both Kansas City's and St. Louis' downtown urban cores to facilitate economic development.
- At the end of the 2004 fiscal year, the unrestricted fund balance for the Industrial Development and Reserve Fund was \$27,270,399, or approximately 31 times the Industrial Development and Reserve Fund's 2004 operating and non-operating expenditures of \$871,343.
- The Board's total debt decreased by \$3,000,000 (-14%) during the 2004 fiscal year and the key factor in this decrease was the redemption of the \$1,300,000 St. Louis Conference Center Hotel Series 2000B and the redemption of \$1,700,000 St. Louis Conference Center Hotel Series 2000C bonds.
- The Board opened the Kansas City Library Parking Garage (KCLG) April 2004. The Board received contributions of \$5,799,361 in FY2004 for the construction of the KCLG, recognized as contributed revenue. In addition, the Board received \$10,800,000 in contributions for the construction of the Ninth Street Garage and renovation of the Old Post Office. The contributions were recognized as \$8,177,000 and \$2,623,000 in deferred revenue, respectively. When the project is finalized in the Industrial Development and Reserve Fund and Parking Garage Fund the funds will be recognized as revenue. The garage operations are a new source of revenue and expense for the Board, as well as, an increase in capital assets. Please see Notes to the Financial Statements numbers 8, 9, and 10 for further details.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

However, because the Board uses only proprietary funds which present financial statement information in the same manner as government-wide financial statements only with more detail, we present two components. The Board's basic financial statements comprise: 1) fund financial statements and 2) notes to the financial statements.

MISSOURI DEVELOPMENT FINANCE BOARD
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Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other discretely presented component units of the State of Missouri (as defined by GASB Statement No. 14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The Board's funds are considered proprietary funds.

Proprietary funds. Of the two types of proprietary funds, the Board maintains one type, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities. Specifically, enterprise funds account for operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service. Enterprise funds also account for activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Industrial Development and Reserve Fund, the Parking Garage Fund, and the Infrastructure Development Fund (MIDOC). The Industrial Development and Reserve Fund and the Parking Garage Fund are considered to be major funds of the Board.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$57,426,000 at the close of fiscal year 2004, by \$50,150,960 at the close of fiscal year 2003, and by \$39,189,630 at the close of fiscal year 2002.

The following summarizes the composition of the Board's net assets as of June 30:

	2004		2003		2002	
	\$	%	\$	%	\$	%
Investment in capital assets, net of related debt	\$ 20,034,676	34.89%	\$ 7,018,010	13.99%	\$ 7,670,238	19.57%
Restricted	7,766,352	13.52%	11,382,872	22.70%	2,415,081	6.16%
Unrestricted	29,624,972	51.59%	31,750,078	63.31%	29,104,311	74.27%
	<u>\$ 57,426,000</u>	<u>100.00%</u>	<u>\$ 50,150,960</u>	<u>100.00%</u>	<u>\$ 39,189,630</u>	<u>100.00%</u>

Unrestricted net assets are funds which may be used to meet the Board's ongoing obligations to citizens and creditors. Restricted net assets are restricted to specific purposes and may not be used for anything else. Capital assets are used to provide services to the citizens of Missouri. The increase in investment in capital assets, net of related debt, for the current fiscal year is due to the completion of the Kansas City Library parking garage and its corresponding acquisition of land

MISSOURI DEVELOPMENT FINANCE BOARD
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of the Century building for the construction of the Ninth Street parking garage in St. Louis. Due to the significance of operations, these activities are reflected in the Parking Garage Fund.

The increase in net assets for the current fiscal year is primarily due to the change in net assets from contributed revenue of \$5,799,361 for the construction of the Kansas City Library Parking Garage and \$1,451,179 increase in income before contributed revenue. The increase in net assets for fiscal year 2003 is primarily due to the change in net assets from the contributed revenue of \$10,000,639. Of that total, \$5,000,000 was for the construction of the Ninth Street Garage/Century demolition and the Old Post Office renovation and \$5,000,639 was for the construction of the Kansas City Library Parking Garage. The increase in net assets of \$2,523,633 for fiscal year 2002 was due to the increased change in net assets from increased operating and non-operating revenues over operating and non-operating expenses.

The following summarizes the changes in net assets for the years ended June 30:

	2004		2003		2002	
	\$	%	\$	%	\$	%
Operating income	\$ 1,334,391	18.34%	\$ 704,581	6.43%	\$2,388,677	94.65%
Nonoperating revenue	116,788	1.61%	256,110	2.34%	134,956	5.35%
Contributed revenue	5,799,361	79.72%	10,000,639	91.23%	-	0.00%
Gain on sale of asset	24,500	0.33%	-	0.00%	-	0.00%
Change in net assets	<u>\$ 7,275,040</u>	<u>100.00%</u>	<u>\$10,961,330</u>	<u>100.00%</u>	<u>\$2,523,633</u>	<u>100.00%</u>

The increase in operating income from 2003 to 2004 is primarily related to increased participation fee income of \$594,350 related primarily to the St. Louis Cardinals baseball park project, increased garage revenue of \$843,456 offset by decreased interest income of \$603,002 and increased parking garage expenses of \$233,569.

The decrease in operating income from 2002 to 2003 is primarily related to the decrease in loan and note receivable interest income from 2002 due to the pay off of the St. Louis Convention Center Hotel loan receivable. The St. Louis Convention Center Hotel loan's outstanding balance as of June 30, 2002, was \$13,455,000 with an interest rate of 9.5%. Interest income of \$1,753,225 and \$759,329 was earned in FY2002 and FY2003, respectively. Other considerations for the decrease in operating income were a decline in participation fee income of \$179,540 and an increase in professional fees of \$139,862 for FY2003.

Further detailed information related to the Board's net assets and changes in net assets are included on the following pages.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

Missouri Development Finance Board's Net Assets

Business-Type Activities													
	Industrial Development & Reserve Fund	Parking Garage Funds	Infrastructure Development Fund	Eliminations or Transfers	Industrial Development & Reserve Fund	Parking Garage Funds	Infrastructure Development Fund	Eliminations or Transfers	Industrial Development & Reserve Fund	Infrastructure Development Fund	Totals	Totals	Totals
	2004	2004	2004	2004	2003	2003	2003	2003	2002	2002	2004	2003	2002
Current & Other assets	27,489,101	12,349,477	2,411,190	(12,127)	29,326,156	14,119,422	2,346,950	(416,384)	41,508,783	2,280,482	42,237,641	45,376,144	43,789,265
Assets restricted for tax credit contributions	32,331,836	-			23,025,426				36,491,985		32,331,836	23,025,426	36,491,985
Capital assets	3,101,420	35,033,256			2,175,101	25,942,909			20,498,176		38,134,676	28,118,010	20,498,176
Total assets	62,922,357	47,382,733	2,411,190	(12,127)	54,526,683	40,062,331	2,346,950	(416,384)	98,498,944	2,280,482	112,704,153	96,519,580	100,779,426
Other liabilities	10,277,742	6,197,400		(12,127)	2,014,930	3,476,128	2,250	(416,384)	151,606		16,463,015	5,076,924	151,606
Long-term liabilities outstanding	20,715,138	18,100,000			20,191,696	21,100,000			61,438,190		38,815,138	41,291,696	61,438,190
Total liabilities	30,992,880	24,297,400		(12,127)	22,206,626	24,576,128	2,250	(416,384)	61,589,796		55,278,153	46,368,620	61,589,796
Net Assets:													
Invested in capital assets, net of related debt	3,101,420	16,933,256			2,175,101	4,842,909			7,670,238		20,034,676	7,018,010	7,670,238
Restricted	1,557,658	6,208,694			965,991	10,416,881			2,415,081		7,766,352	11,382,872	2,415,081
Unrestricted	27,270,399	(56,617)	2,411,190		29,178,965	226,413	2,344,700		26,823,829	2,280,482	29,624,972	31,750,078	29,104,311
Total net assets	31,929,477	23,085,333	2,411,190		32,320,057	15,486,203	2,344,700		36,909,148	2,280,482	57,426,000	50,150,960	39,189,630

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

Missouri Development Finance Board Change in Net Assets

Business-Type Activities												
	Industrial Development & Reserve Fund 2004	Parking Garage Fund 2004	Infrastructure Development Fund 2004	Industrial Development & Reserve Fund 2003	Parking Garage Fund 2003	Infrastructure Development Fund 2003	Eliminations or Transfers 2003	Industrial Development & Reserve Fund 2002	Infrastructure Development Fund 2002	Totals 2004	Totals 2003	Totals 2002
<u>Operating revenue:</u>												
Participation fees	1,373,659			1,227,872			(453,563)	953,849		1,373,659	774,309	953,849
Interest on loans & notes receivables	158,237		65,717	763,780		63,176		1,906,387	62,180	223,954	826,956	1,968,567
Rental income	25,008			25,008				25,008		25,008	25,008	25,008
Contractual income	56,934			56,684				64,011		56,934	56,684	64,011
Parking garage income		1,573,553			730,097			86,263		1,573,553	730,097	86,263
Other income	14,552			1,187						14,552	1,187	-
Capital grants & contributions		5,799,361			10,000,639					5,799,361	10,000,639	-
<u>Nonoperating revenue:</u>												
Interest on cash & investments	477,873	98,039	773	565,824	31,475	1,042		797,921	1,878	576,685	598,341	799,799
Total revenues	2,106,263	7,470,953	66,490	2,640,355	10,762,211	64,218	(453,563)	3,833,439	64,058	9,643,706	13,013,221	3,897,497
<u>Operating expenses:</u>												
Personnel	534,550			497,701				410,064		534,550	497,701	410,064
Professional fees	94,260	8,426		217,156	444,004		(444,004)	77,294		102,686	217,156	77,294
Depreciation & amortization	70,603	474,104		100,297	394,300			99,571		544,707	494,597	99,571
Parking garage operating expenses		568,394			334,825					568,394	334,825	-
Travel, Supplies & Misc.	171,930	11,002		157,490	17,450		(9,559)	122,092		182,932	165,381	122,092
<u>Nonoperating expenses:</u>												
Bond interest expense	-	459,897		256,802	85,429			664,843		459,897	342,231	664,843
Total Expenses	871,343	1,521,823	-	1,229,446	1,276,008	-	(453,563)	1,373,864		2,393,166	2,051,891	1,373,864
Increase in net assets	1,234,920	5,949,130	66,490	1,410,909	9,486,203	64,218		2,459,575	64,058	7,250,540	10,961,330	2,523,633
Net assets, beginning of year	32,320,057	15,486,203	2,344,700	36,909,148	-	2,280,482		34,449,573	2,216,424	50,150,960	39,189,630	36,665,997
Interfund transfers	(1,650,000)	1,650,000								-	-	-
Gain on sale of asset	24,500									24,500	-	-
Reclassification of net assets:				(6,000,000)	6,000,000					-	-	-
Net assets, end of year	31,929,477	23,085,333	2,411,190	32,320,057	15,486,203	2,344,700		36,909,148	2,280,482	57,426,000	50,150,960	39,189,630

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

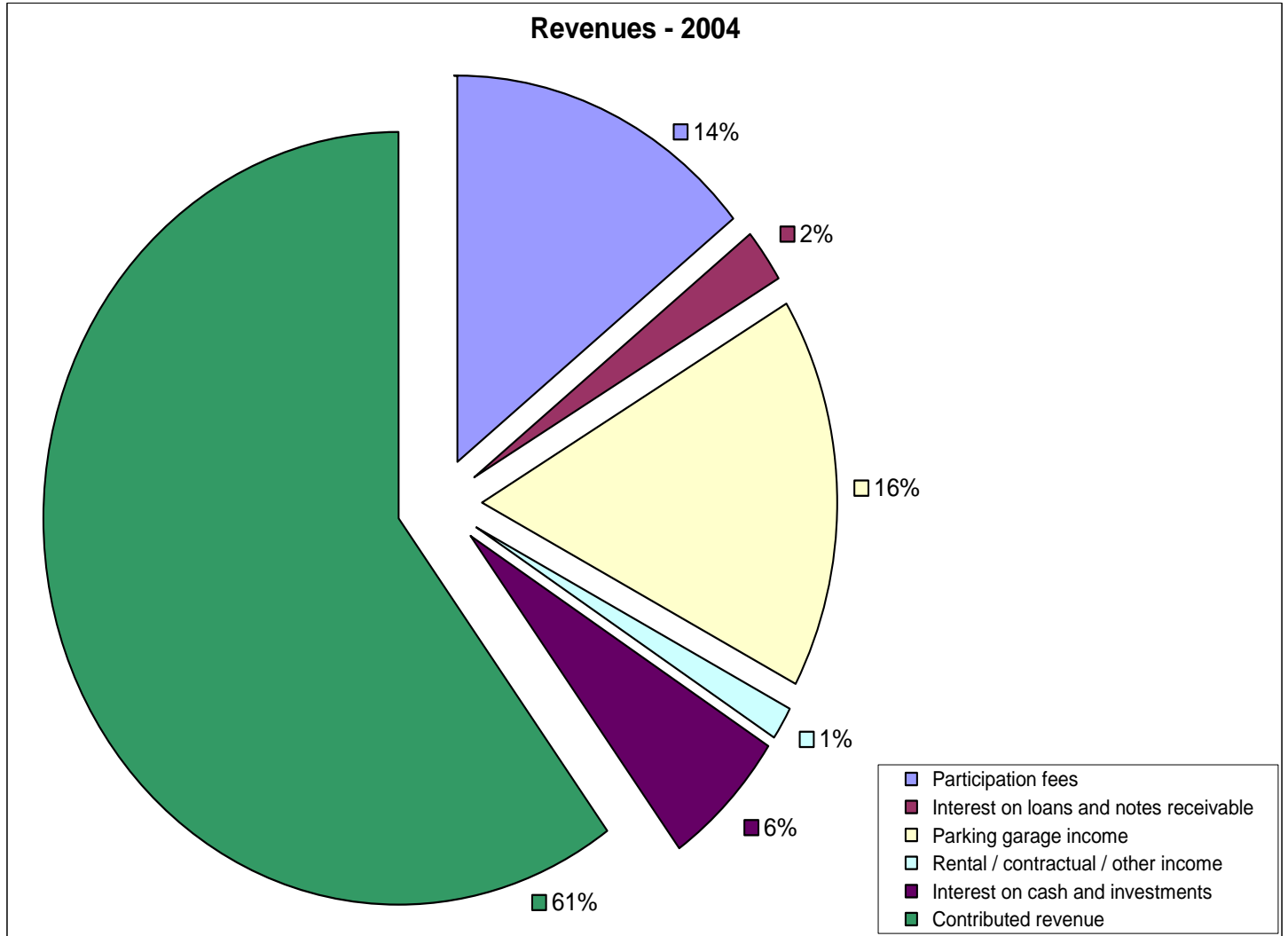
- Participation fees before eliminations during the current fiscal year increased \$599,350 (77%). During the prior fiscal year, they increased by \$274,023 (29%), but after interfund eliminations declined by \$179,540 (-19%). During fiscal year 2002, they increased by \$245,066 (35%). The 77% increase in participation fees is from increased fee income from tax credit for contributions fees. The increase in fiscal year 2003 is due to several refundings and additional public infrastructure bond fees and increased BUILD participation fee income. The decline after eliminations is from a one-time elimination of fees paid by the Parking Garage Fund to the Industrial Development and Reserve Fund for certain projects. The 35% increase in participation fees in FY2002 is from increased fee income from private activity bonds and BUILD.
- Interest on loans and notes receivable declined by \$603,362 (-73%) during the current fiscal year, declined by \$1,141,611 (-60%) during the prior fiscal year, and increased by \$751,897 (62%) during the fiscal year 2002. The decline in the current and prior fiscal years is the result of the St. Louis Conference Center Hotel bridge loan pay off early in 2003, and most of the increase in fiscal year 2002 is the result of the interest earned for the year on the St. Louis Conference Center Hotel bridge loan.
- Parking garage operating income increased \$843,456 (116%) for the current fiscal year as the Kansas City Library parking garage started operation in April 2004 and the St. Louis Conference Center Hotel parking garage operated for a full year. Parking garage income for the prior year was \$730,097 as the St. Louis Conference Center Hotel parking garage started operation in August 2002.
- For the current fiscal year, there was a net decline of \$4,201,278 in contribution revenue. For the prior fiscal year, there was a net increase of \$10,000,639 in contribution revenue, and there was a net decline of \$7,250,000 for fiscal year 2002. The current fiscal year's revenue of \$5,799,361 was for the Kansas City Library parking garage with no receipts recognized for the Ninth Street Garage or the Old Post Office project. However, the prior fiscal year's revenue of \$5,000,639 was for the Kansas City Library parking garage and \$5,000,000 for the Ninth Street Garage that will support the Old Post Office project. The 2002 fiscal year did not have any contribution revenue. See Notes to the Financial Statements numbers 8 and 9 for further details.
- Interest income on cash and investments was down \$21,656 (-5%) for the current fiscal year due to the continued lower interest rate environment. However, in the last quarter of FY2004 interest rates began to rise. Interest income on cash and investments was down \$201,458 (25%) for the prior fiscal year due to continued declines in the interest rate environment. For the 2002 fiscal year, interest income on cash and investments was \$900,540 (-53%) lower due to the marked decline in interest rates. For fiscal years 2004, 2003, and 2002, the Board's average interest rate on cash and investments was approximately 1.20%, 1.30%, and 2%, respectively.
- The Parking Garage Fund was established in 2003 by the Board to account for the construction and ongoing operations of three parking garages: the St. Louis Conference Center Hotel Garage (SLCCHG), Ninth Street Garage (NSG) supporting the Old Post Office redevelopment in St. Louis, and the Kansas City Public Library Garage (KCLG). The Board is the sole owner of these garages. SLCCHG was placed in service during FY2003; the KCLG was placed in service in FY2004 and the remaining garage is in the development and construction stage.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

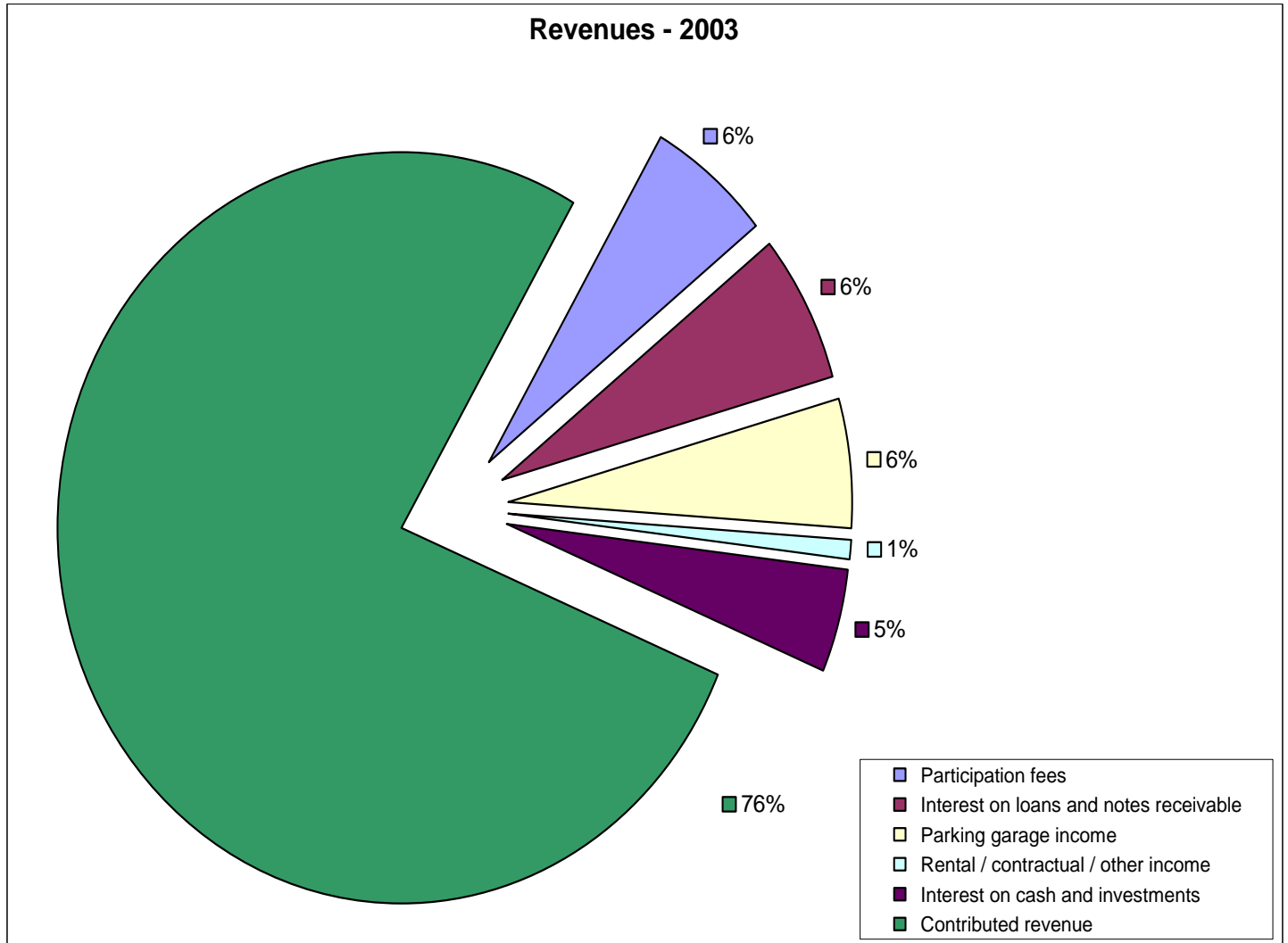
- For the current year, the transfer between funds of \$1,650,000 from the Industrial Development and Reserve Fund is to assist the Parking Garage Fund in redeeming \$3,000,000 in SLCCH Series 2000B and 2000C bonds. For fiscal year 2003, the beginning balance of \$6,000,000 for the SLCCHG was transferred from the Industrial Development and Reserve Fund to the Parking Garage Fund.
- For fiscal year 2003, the eliminations from participation fee revenue and professional fee expense are for participation fees charged by the Industrial Development and Reserve Fund for operational activities the Board provides the Parking Garage Fund. The fees are an expense for the Parking Garage Fund and are offsetting during consolidation. However, the result without elimination is that income and expense would be overstated. There were no similar charges during fiscal year 2004. See Note 11 to the financial statements for further details.

In the current fiscal year, operating expenses for the Industrial Development and Reserve Fund declined by \$101,301 (17%). This is due to decreased professional fees of \$122,896 (-57%), decreased travel by \$32,729 (-48%) off set slightly by increases in supplies of \$53,120 (88%). The most significant changes for the Parking Garage Fund were a full year of activity for the SLCCHG and a partial year of activity for the KCLG along with increased depreciation expense. There were no significant changes in the Infrastructure Development Fund. For the most part in fiscal year 2003, increases in expenses closely paralleled inflation and growth in the demand for services. Exceptions are the increase in professional fees of \$233,362 (121%), parking garage operating expenses of \$334,825 and depreciation expense of \$494,597 for the St. Louis Conference Center Hotel Garage operation. The increase in professional fees is primarily for consultants conducting economic studies at the request of with the Department of Economic Development. The remaining increases are related to the garage operations starting in fiscal year 2003.

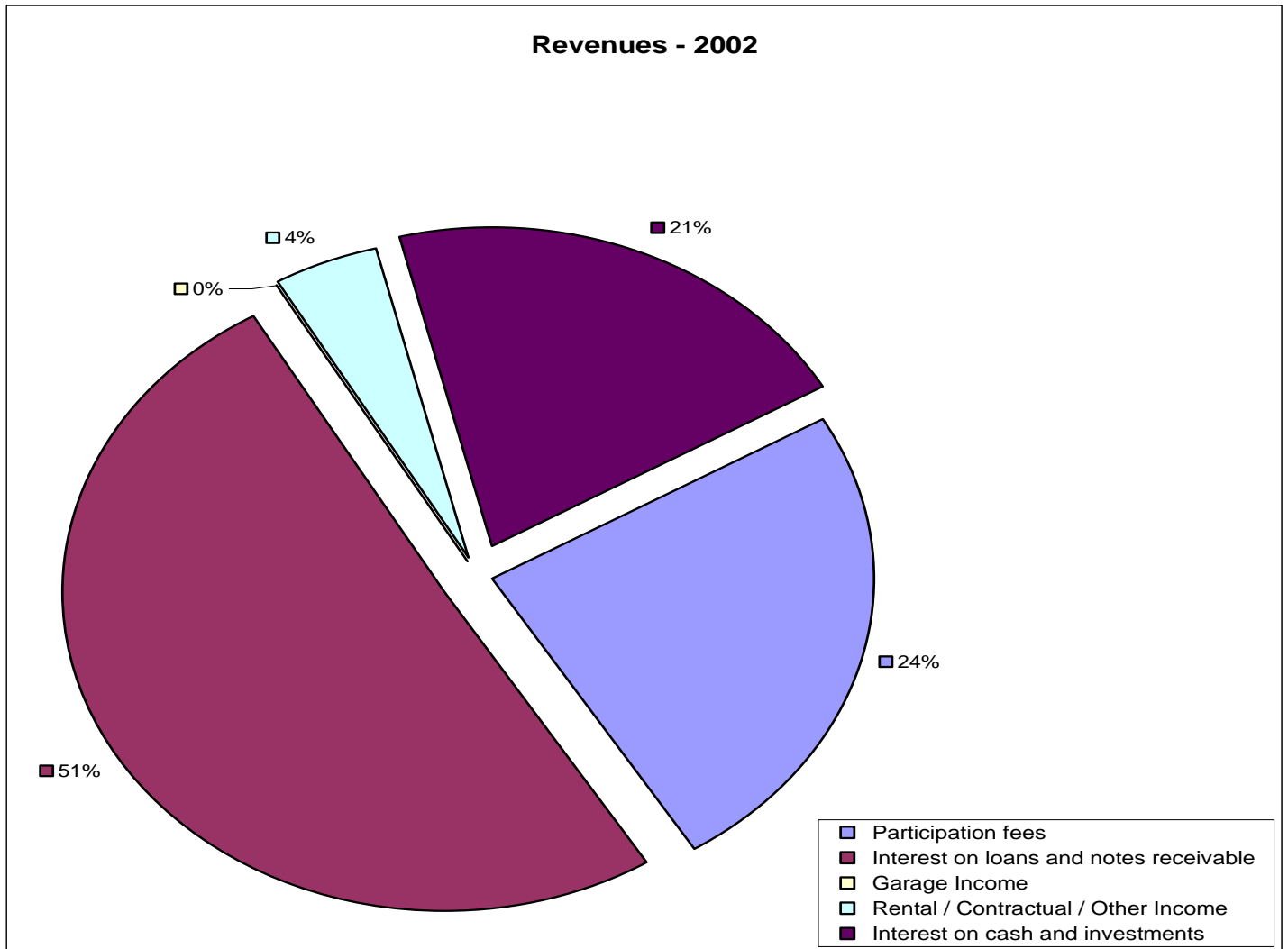
MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)



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Capital Assets and Debt Administration

The Board's investment in capital assets for its business type activities as of June 30, 2004 amounts to \$38,134,676, net of depreciation, an increase of \$10,016,666 from June 30, 2003. Investment in capital assets as of June 30, 2003 amounts to \$28,118,010, net of depreciation, an increase of \$7,619,834 from June 30, 2002. This investment in capital assets includes land, buildings, and equipment. The total increase in the Board's investment in capital assets for the current fiscal year was 37% as compared to 109% from the prior fiscal year.

The major capital asset event in the current fiscal year is completing the construction of the Kansas City Library Garage. However, there are certain façade construction changes occurring in fiscal year 2005. One of the major capital asset events during the prior fiscal year and FY2002 was the construction of the St. Louis Conference Center Hotel Garage, a component of the St. Louis Conference Center Hotel and Garage project. Other major capital asset events in the prior fiscal year were the acquisition of the land for construction of the Kansas City Library Garage and the acquisition of the Century building for demolition and construction of the Ninth Street Garage for the Old Post Office project in St. Louis.

Missouri Development Finance Board's Capital Assets (net of depreciation)			
	2,004	2,003	2,002
Land	\$ 8,066,980	\$ 8,039,625	\$ 4,705,000
Construction in process	5,181,045	1,684,451	14,122,938
Buildings and land	24,883,676	18,384,525	1,630,000
Equipment	2,975	9,409	40,238
Total	<u>\$38,134,676</u>	<u>\$28,118,010</u>	<u>\$20,498,176</u>

Additional information on the Board's capital assets can be found in Note 5 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the Board had total bonded debt outstanding of \$18,100,000. At the end of fiscal years 2003 and 2002, the Board had total bonded debt outstanding of \$21,100,000 and \$34,555,000, respectively. The decrease in the long-term debt of \$3,000,000 in the current fiscal year is due to the redemption of \$1,300,000 and \$1,700,000 for the St. Louis Convention Center Hotel Series 2000B and Series 2000C, respectively. The decrease in the long-term debt of \$13,455,000 in the prior year is due to the payoff of the St. Louis Conference Center Hotel Series 2000A taxable revenue anticipation notes. The Board's debt for the current fiscal year represents \$5,200,000 in St. Louis Conference Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds and \$12,900,000 St. Louis Conference Center Hotel Series 2000C, tax-exempt infrastructure facilities revenue bonds.

The decrease in long-term debt in 2002 fiscal year of \$5,000,000 is due to the pay down of the St. Louis Conference Center Hotel Series 2000A, taxable revenue anticipation notes. No debt of the board is backed by the full faith and credit of the state of Missouri.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

Missouri Development Finance Board's Outstanding Debt			
	2004	2003	2002
Long-term debt	\$ 18,100,000	\$ 21,100,000	\$ 34,555,000

Additional information on the Board's long-term debt can be found in Note 8 to the financial statements.

Item of Significance for the Current Year

The Board is party to four lawsuits that threaten to halt the rehabilitation of the Old Post office, which is scheduled to become the new home of the Missouri Court of Appeals and Webster University and which will serve as the centerpiece for the rehabilitation of vacant and underutilized historic buildings near the Old Post Office as well as the Ninth Street Garage to be built on the site of the Century Building. The plaintiffs are attempting to stop the long-planned rehabilitation of the Old Post Office and the state court-ordered demolition of the derelict Century Building for the construction of the Ninth Street Garage by asking the Court to declare the developers of the Old Post Office ineligible to receive federal and state historic preservation tax credits that are to be awarded after the Old Post Office rehabilitation project is complete. These actions are unlikely to result in a direct loss to the Board. See Note 12 to the financial statements for more details.

Significant Events for Next Year

The Board has entered into an agreement to be part of the development of the U.S. Custom House and Old Post Office (the "Old Post Office") in St. Louis, Missouri. The Board acquired title to the OPO Project on October 13, 2004, from the U.S. General Services and executed a 99-year lease of the OPO Project with St. Louis' U. S. Custom House and Post Office Building Associates, L.P., a Missouri limited partnership.

The second project consists of the acquisition and demolition of the Century Building, and the construction of a new 1,050 space multi-level parking garage located to the West of the OPO Project. This project, known as the "Ninth Street Garage Project" or the "NSG Project", is owned by the Board and consists of the development and construction of an approximately 1,050 space parking garage located on the west side of Ninth Street directly across from the OPO Project. The land was purchased in April 2003. The Board has entered into long-term leases with tenants of the OPO Project and with surrounding businesses and building owners.

Requests for Information

This financial report is designed to provide a general overview of the Missouri Development Finance Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missouri Development Finance Board, Controller, P. O. Box 567, 200 Madison, Suite 1000, Jefferson City, MO 65102.

MISSOURI DEVELOPMENT FINANCE BOARD

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
ASSETS					
Current assets:					
Cash	\$ 534,209	\$ 336,498	\$ 338,270	\$ -	\$ 1,208,977
Investments	18,349,454	-	-	-	18,349,454
Current portion of loans and notes receivable	1,670,000	-	193,850	-	1,863,850
Accrued interest on investments	128,272	-	-	-	128,272
Accrued interest on loans and notes receivable	75,603	-	28,363	-	103,966
Prepaid expenses and other assets	38,861	81,285	-	(12,127)	108,019
Total current assets	20,796,399	417,783	560,483	(12,127)	21,762,538
Noncurrent assets:					
Restricted assets	32,331,836	11,931,694	-	-	44,263,530
Long-term portion of loans and notes receivable	6,679,500	-	1,850,707	-	8,530,207
Bond issuance costs, less accumulated amortization of \$53,880	13,202	-	-	-	13,202
Capital assets:					
Assets not being depreciated	1,588,445	11,659,580	-	-	13,248,025
Assets being depreciated, net	1,512,975	23,373,676	-	-	24,886,651
Total noncurrent assets	42,125,958	46,964,950	1,850,707	-	90,941,615
Total assets	\$ 62,922,357	\$ 47,382,733	\$ 2,411,190	\$ (12,127)	\$ 112,704,153
LIABILITIES					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 200,742	\$ 458,100	\$ -	\$ (12,127)	\$ 646,715
Accrued bond interest payable	-	16,300	-	-	16,300
Deferred revenue	10,077,000	5,723,000	-	-	15,800,000
Total current liabilities	10,277,742	6,197,400	-	(12,127)	16,463,015
Noncurrent liabilities					
Tax Credit for Contribution and other deposits	20,697,178	-	-	-	20,697,178
Long-term debt	-	18,100,000	-	-	18,100,000
Loan guarantee default reserve	17,960	-	-	-	17,960
Total noncurrent liabilities	20,715,138	18,100,000	-	-	38,815,138
Total liabilities	30,992,880	24,297,400	-	(12,127)	55,278,153
NET ASSETS					
Invested in capital assets, net of related debt	3,101,420	16,933,256	-	-	20,034,676
Restricted	1,557,658	6,208,694	-	-	7,766,352
Unrestricted	27,270,399	(56,617)	2,411,190	-	29,624,972
Total net assets	31,929,477	23,085,333	2,411,190	-	57,426,000
Total liabilities and net assets	\$ 62,922,357	\$ 47,382,733	\$ 2,411,190	\$ (12,127)	\$ 112,704,153

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD

STATEMENT OF NET ASSETS

JUNE 30, 2003

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Eliminations	Total Business-Type Activities
ASSETS					
Current assets:					
Cash	\$ 109,262	\$ 513,711	\$ 74,167	\$ -	\$ 697,140
Investments	20,877,938	-	-	-	20,877,938
Current portion of loans and notes receivable	1,097,324	-	199,058	-	1,296,382
Accrued interest on investments	236,460	-	-	-	236,460
Accrued interest and fees on loans receivable	32,025	-	30,315	-	62,340
Prepaid expenses and other assets	356,378	88,830	-	(416,384)	28,824
Total current assets	<u>22,709,387</u>	<u>602,541</u>	<u>303,540</u>	<u>(416,384)</u>	<u>23,199,084</u>
Noncurrent assets:					
Restricted assets	23,025,426	13,516,881	-	-	36,542,307
Long-term portion of loans and notes receivable	6,599,398	-	2,043,410	-	8,642,808
Bond issuance costs, less accumulated amortization of \$49,710	17,371	-	-	-	17,371
Capital assets:					
Assets not being depreciated	595,692	9,128,384	-	-	9,724,076
Assets being depreciated, net	<u>1,579,409</u>	<u>16,814,525</u>	<u>-</u>	<u>-</u>	<u>18,393,934</u>
Total noncurrent assets	<u>31,817,296</u>	<u>39,459,790</u>	<u>2,043,410</u>	<u>-</u>	<u>73,320,496</u>
Total assets	<u>\$ 54,526,683</u>	<u>\$ 40,062,331</u>	<u>\$ 2,346,950</u>	<u>\$ (416,384)</u>	<u>\$ 96,519,580</u>
LIABILITIES					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 114,930	\$ 354,128	\$ 2,250	\$ (416,384)	\$ 54,924
Accrued bond interest	-	22,000	-	-	22,000
Deferred contribution revenue	1,900,000	3,100,000	-	-	5,000,000
Total current liabilities	<u>2,014,930</u>	<u>3,476,128</u>	<u>2,250</u>	<u>(416,384)</u>	<u>5,076,924</u>
Noncurrent liabilities:					
Tax credit for contribution deposits	20,159,435	-	-	-	20,159,435
Long-term debt	-	21,100,000	-	-	21,100,000
Loan guarantee default reserve	32,261	-	-	-	32,261
Total noncurrent liabilities	<u>20,191,696</u>	<u>21,100,000</u>	<u>-</u>	<u>-</u>	<u>41,291,696</u>
Total liabilities	<u>22,206,626</u>	<u>24,576,128</u>	<u>2,250</u>	<u>(416,384)</u>	<u>46,368,620</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,175,101	4,842,909	-	-	7,018,010
Restricted	965,991	10,416,881	-	-	11,382,872
Unrestricted	<u>29,178,965</u>	<u>226,413</u>	<u>2,344,700</u>	<u>-</u>	<u>31,750,078</u>
Total net assets	<u>32,320,057</u>	<u>15,486,203</u>	<u>2,344,700</u>	<u>-</u>	<u>50,150,960</u>
Total liabilities and net assets	<u>\$ 54,526,683</u>	<u>\$ 40,062,331</u>	<u>\$ 2,346,950</u>	<u>\$ (416,384)</u>	<u>\$ 96,519,580</u>

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
OPERATING REVENUES					
Participation fees	\$ 1,373,659	\$ -	\$ -	\$ -	\$ 1,373,659
Interest income on loans and notes receivable	158,237	-	65,717	-	223,954
Rental income	25,008	-	-	-	25,008
Contractual income	56,934	-	-	-	56,934
Parking garage operating income	-	1,573,553	-	-	1,573,553
Other income	14,552	-	-	-	14,552
Total operating revenues	1,628,390	1,573,553	65,717	-	3,267,660
OPERATING EXPENSES					
Personnel services	534,550	-	-	-	534,550
Professional fees	94,260	8,426	-	-	102,686
Travel	35,881	-	-	-	35,881
Supplies and other	125,957	-	-	-	125,957
Depreciation and amortization	70,603	474,104	-	-	544,707
Parking garage operating expenses	-	568,394	-	-	568,394
Miscellaneous	10,092	11,002	-	-	21,094
Total operating expenses	871,343	1,061,926	-	-	1,933,269
Operating income	757,047	511,627	65,717	-	1,334,391
NONOPERATING REVENUE (EXPENSE)					
Interest on cash and investments	477,873	98,039	773	-	576,685
Bond interest expense	-	(210,760)	-	-	(210,760)
Bond expense	-	(249,137)	-	-	(249,137)
Total nonoperating revenue (expense)	477,873	(361,858)	773	-	116,788
Income before contributed revenue, interfund transfers and gain on sale of asset	1,234,920	149,769	66,490	-	1,451,179
CONTRIBUTED REVENUE	-	5,799,361	-	-	5,799,361
INTERFUND TRANSFER	(1,650,000)	1,650,000	-	-	-
GAIN ON SALE OF ASSET	24,500	-	-	-	24,500
Change in net assets	(390,580)	7,599,130	66,490	-	7,275,040
Total net assets - beginning	32,320,057	15,486,203	2,344,700	-	50,150,960
Total net assets - ending	\$ 31,929,477	\$ 23,085,333	\$ 2,411,190	\$ -	\$ 57,426,000

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Eliminations	Total Business-Type Activities
OPERATING REVENUES					
Participation fees	\$ 1,227,872	\$ -	\$ -	\$ (453,563)	\$ 774,309
Interest on loans and notes receivable	763,780	-	63,176	-	826,956
Rental income	25,008	-	-	-	25,008
Contractual income	56,684	-	-	-	56,684
Parking garage operating income	-	730,097	-	-	730,097
Other income	1,187	-	-	-	1,187
Total operating revenues	<u>2,074,531</u>	<u>730,097</u>	<u>63,176</u>	<u>(453,563)</u>	<u>2,414,241</u>
OPERATING EXPENSES					
Personnel	497,701	-	-	-	497,701
Professional fees	217,156	444,004	-	(444,004)	217,156
Travel	68,610	-	-	-	68,610
Supplies and other	66,837	-	-	-	66,837
Depreciation and amortization	100,297	394,300	-	-	494,597
Parking garage operating expenses	-	334,825	-	-	334,825
Miscellaneous	22,043	17,450	-	(9,559)	29,934
Total operating expenses	<u>972,644</u>	<u>1,190,579</u>	<u>-</u>	<u>(453,563)</u>	<u>1,709,660</u>
Operating income (loss)	<u>1,101,887</u>	<u>(460,482)</u>	<u>63,176</u>	<u>-</u>	<u>704,581</u>
NONOPERATING REVENUE (EXPENSE)					
Interest on cash and investments	565,824	31,475	1,042	-	598,341
Bond interest expense	(256,802)	(85,429)	-	-	(342,231)
Total nonoperating revenue (expense)	<u>309,022</u>	<u>(53,954)</u>	<u>1,042</u>	<u>-</u>	<u>256,110</u>
Income (loss) before contributed revenue and interfund transfers	1,410,909	(514,436)	64,218	-	960,691
CONTRIBUTED REVENUE	-	10,000,639	-	-	10,000,639
INTERFUND TRANSFER	<u>(6,000,000)</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(4,589,091)	15,486,203	64,218	-	10,961,330
Total net assets - beginning	<u>36,909,148</u>	<u>-</u>	<u>2,280,482</u>	<u>-</u>	<u>39,189,630</u>
Total net assets - ending	<u>\$ 32,320,057</u>	<u>\$ 15,486,203</u>	<u>\$ 2,344,700</u>	<u>\$ -</u>	<u>\$ 50,150,960</u>

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,888,028	\$ 4,626,699	\$ 65,420	\$ 6,580,147
Receipts for tax credit projects	18,738,450	-	-	18,738,450
Payments to suppliers	(180,378)	(897,850)	-	(1,078,228)
Payments to tax credit projects	(10,023,707)	-	-	(10,023,707)
Payments to employees	(534,550)	-	-	(534,550)
Net cash provided (used) by operating activities	<u>9,887,843</u>	<u>3,728,849</u>	<u>65,420</u>	<u>13,682,112</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans and notes receivable principal payments	889,222	-	197,910	1,087,132
Loans and notes receivable issued	(1,542,000)	-	-	(1,542,000)
Interfund transfers	(1,650,000)	1,650,000	-	-
Net cash provided (used) by noncapital financing activities	<u>(2,302,778)</u>	<u>1,650,000</u>	<u>197,910</u>	<u>(454,868)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond principal paid	-	(3,000,000)	-	(3,000,000)
Bond interest paid	-	(459,897)	-	(459,897)
Acquisition of land	-	(27,354)	-	(27,354)
Acquisition of buildings and equipment	(992,752)	(9,537,097)	-	(10,529,849)
Proceeds from sale of asset	24,500	-	-	24,500
Tax credit contributions	-	5,799,361	-	5,799,361
Net cash provided (used) by capital and related financing activities	<u>(968,252)</u>	<u>(7,224,987)</u>	<u>-</u>	<u>(8,193,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(115,261,008)	(2,902,000)	-	(118,163,008)
Maturities of investments	106,841,411	4,757,872	-	111,599,283
Interest on cash and investments	570,334	98,039	773	669,146
Net cash provided (used) by investing activities	<u>(7,849,263)</u>	<u>1,953,911</u>	<u>773</u>	<u>(5,894,579)</u>
Net increase (decrease) in cash and cash equivalents	(1,232,450)	107,773	264,103	(860,574)
Cash and cash equivalents - July 1	<u>5,344,933</u>	<u>9,255,719</u>	<u>74,167</u>	<u>14,674,819</u>
Cash and cash equivalents - June 30	<u>\$ 4,112,483</u>	<u>\$ 9,363,492</u>	<u>\$ 338,270</u>	<u>\$ 13,814,245</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 757,047	\$ 511,627	\$ 65,717	\$ 1,334,391
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expenses	70,603	474,104	-	544,707
(Increase) decrease in accrued interest on loans and notes receivable	(43,578)	(45,626)	1,953	(87,251)
(Increase) in prepaid expenses and other assets	317,517	67,472	-	384,989
Increase in accounts payable and accrued liabilities	85,812	98,272	(2,250)	181,834
Increase in deferred revenue	8,177,000	2,623,000	-	10,800,000
Increase in tax credit for contribution deposits	537,743	-	-	537,743
(Decrease) in loan guarantee default reserve	(14,301)	-	-	(14,301)
Total adjustments	<u>9,130,796</u>	<u>3,217,222</u>	<u>(297)</u>	<u>12,347,721</u>
Net cash provided (used) by operating activities	<u>\$ 9,887,843</u>	<u>\$ 3,728,849</u>	<u>\$ 65,420</u>	<u>\$ 13,682,112</u>
Reconciliation of cash and cash equivalents to the statement of net assets				
Cash	534,209	336,498	338,270	1,208,977
Restricted assets	32,331,836	11,931,694	-	44,263,530
Less: Restricted investments and accrued interest	<u>(28,753,562)</u>	<u>(2,904,700)</u>	<u>-</u>	<u>(31,658,262)</u>
Total cash and cash equivalents	<u>\$ 4,112,483</u>	<u>\$ 9,363,492</u>	<u>\$ 338,270</u>	<u>\$ 13,814,245</u>

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,286,770	\$ 701,273	\$ 63,891	\$ 4,051,934
Receipts for tax credit projects	6,786,607	-	-	6,786,607
Payments to suppliers	(311,695)	(502,157)	-	(813,852)
Payments to tax credit projects	(13,478,099)	-	-	(13,478,099)
Payments to employees	(496,370)	-	-	(496,370)
Net cash provided (used) by operating activities	<u>(4,212,787)</u>	<u>199,116</u>	<u>63,891</u>	<u>(3,949,780)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans and notes receivable principal payments	17,819,246	-	276,005	18,095,251
Loans and notes receivable issued	-	-	(377,000)	(377,000)
Interfund transfers	(350,504)	350,504	-	-
Net cash provided (used) by noncapital financing activities	<u>17,468,742</u>	<u>350,504</u>	<u>(100,995)</u>	<u>17,718,251</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond principal paid	(13,455,000)	-	-	(13,455,000)
Bond interest paid	(298,760)	(342,341)	-	(641,101)
Acquisition of land	-	(3,334,625)	-	(3,334,625)
Acquisition of buildings and equipment	(607,988)	(4,370,212)	-	(4,978,200)
Tax credit contributions	1,900,000	13,100,639	-	15,000,639
Net cash provided (used) by capital and related financing activities	<u>(12,461,748)</u>	<u>5,053,461</u>	<u>-</u>	<u>(7,408,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(79,623,065)	(81,500)	-	(79,704,565)
Maturities of investments	72,689,603	3,637,689	-	76,327,292
Interest on cash and investments	481,332	96,449	1,043	578,824
Net cash provided by investing activities	<u>(6,452,130)</u>	<u>3,652,638</u>	<u>1,043</u>	<u>(2,798,449)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,657,923)</u>	<u>9,255,719</u>	<u>(36,061)</u>	<u>3,561,735</u>
Cash and cash equivalents - July 1	<u>11,002,856</u>	<u>-</u>	<u>110,228</u>	<u>11,113,084</u>
Cash and cash equivalents - June 30	<u>\$ 5,344,933</u>	<u>\$ 9,255,719</u>	<u>\$ 74,167</u>	<u>\$ 14,674,819</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,101,887	\$ (460,482)	\$ 63,176	\$ 704,581
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expenses	100,297	394,300	-	494,597
(Increase) decrease in accrued interest on loans and notes receivable	1,563,839	-	(1,535)	1,562,304
(Increase) in prepaid expenses and other assets	(351,598)	(88,830)	-	(440,428)
Increase in accounts payable and accrued liabilities	64,282	354,128	2,250	420,660
(Decrease) in deferred revenue	(1,046,087)	-	-	(1,046,087)
(Decrease) in tax credit for contribution deposits	(5,645,407)	-	-	(5,645,407)
Total adjustments	<u>(5,314,674)</u>	<u>659,598</u>	<u>715</u>	<u>(4,654,361)</u>
Net cash provided (used) by operating activities	<u>\$ (4,212,787)</u>	<u>\$ 199,116</u>	<u>\$ 63,891</u>	<u>\$ (3,949,780)</u>
Reconciliation of cash and cash equivalents to the statement of net assets				
Cash	\$ 109,262	\$ 513,711	\$ 74,167	\$ 697,140
Restricted assets	23,025,426	13,516,881	-	36,542,307
Less: Restricted investments and accrued interest	<u>(17,789,755)</u>	<u>(4,774,873)</u>	<u>-</u>	<u>(22,564,628)</u>
Total cash and cash equivalents	<u>\$ 5,344,933</u>	<u>\$ 9,255,719</u>	<u>\$ 74,167</u>	<u>\$ 14,674,819</u>

The notes to the financial statements are an integral part of this statement.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(1) Financial Reporting Entity and Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The Missouri Development Finance Board (the Board), created by Sections 100.250 to 100.297 of the Revised Statutes of Missouri (RSMo), is an independent, self-supporting, quasi-governmental entity, governed by a twelve-member Board. The Governor of the State of Missouri (the State), with the advice and consent of the Senate, appoints nine of the Board members. The remaining three Board members are the Lieutenant Governor, Director of the Department of Economic Development, and Director of the Department of Agriculture.

The Board is a discretely presented component unit of the State of Missouri as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Based on GASB 14, the accompanying combined financial statements include only those operations related to the Board and are not intended to present fairly the financial position and results of operations of the State.

The Board is empowered to issue taxable and tax-exempt industrial revenue bonds or notes; provide loans or loan guarantees to projects for eligible businesses; provide loans to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain State income taxes in exchange for contributions made to the Board for approved projects. The Board also has other authorized powers under state statute, including the ability to acquire, own, improve, and use real and personal property such as the parking garages and buildings.

(b) Basis of Presentation

The accounts of the Board are organized on the basis of funds. The Board accounts for its activities in Enterprise Funds, a type of Proprietary Fund. Proprietary Funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income.

Specifically, Enterprise Funds account for operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service. Enterprise Funds also account for activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Board has three active and two inactive Enterprise Funds.

Each fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Board's active funds are as follows:

- *Industrial Development and Reserve Fund* – The Industrial Development and Reserve Fund was established in 1982 by Section 100.260 RSMo, as amended, and is funded by appropriations from the State General Revenue Fund or from various other sources as specified by the RSMo. Appropriations may be used to make eligible direct loans or may be pledged as loan, note, or bond guarantees. RSMo (Sections 33.080 and 100.260) provide that funds appropriated by the general assembly for this fund shall not lapse and the balance shall not be transferred to the General Revenue Fund – State. This fund also includes construction costs related to the Old Post Office redevelopment project and building leasing operations.

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

- *Parking Garage Fund* – The Parking Garage Fund was established in 2003 by the Board to account for the construction and ongoing operations of three parking garages. The three garages are as follows: St. Louis Conference Center Hotel Garage (SLCCHG), Ninth Street Garage (NSG) supporting the Old Post Office redevelopment in St. Louis, and the Kansas City Public Library Garage (KCLG). The Board is the sole owner of these garages. SLCCHG was placed in service during 2003; the KCLG was placed in service during fiscal year 2004. The NSG is currently under construction.
- *Infrastructure Development Fund* – The Infrastructure Development Fund was established in 1988 by Section 100.263 RSMo, as amended, and is funded by appropriations from the State General Fund or from various other sources as specified by the RSMo. Funds may be used to make low-interest or interest-free loans, and loan guarantees to local political subdivisions and state agencies. The Board has received appropriations to fund local infrastructure improvements.

(c) Method of Accounting

The accrual basis of accounting is utilized for all Board funds. With this measurement focus, revenues are recognized when earned and expenses are recorded when incurred.

Participation fees on the Statement of Revenues, Expenses, and Changes in Net Assets include application fees and issuance fees. The Board recognizes revenue on application fees when received since the fees are due upon application and are nonrefundable. The Board recognizes revenue on issuance fees at the time of the issuance of the related bonds since, until actual issuance, the amount or the certainty of receiving the issuance fee is not determinable. Expenses related to bond issuance are recognized when incurred, as there is no reasonable method of allocating the expenses to issuance revenues because of the above-mentioned uncertainties.

Contributions received for tax credits on behalf of other entities are treated as conduit transactions, with the amount of unspent contributions recorded as a liability. Contributions received for tax credits on behalf of the Board's projects are recorded as revenue when all applicable eligibility requirements have been met, which is determined on a project-by-project basis.

The Board applies all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 and all Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB), except for those that conflict with or contradict GASB pronouncements. FASB Statements and Interpretations issued subsequent to November 30, 1989, are not applied.

(d) Investments

The Board has the power to invest in obligations of the United States or its agencies, insured or secured certificates of deposits, secured repurchase agreements, and state or political subdivisions obligations with the two highest credit rating categories. Investments with initial maturities of one year or less are stated at amortized cost. Investments with initial maturities of greater than one year are carried at fair value based on quoted market prices.

MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(e) Provision for Doubtful Loans

The Board provides for an allowance for uncollectible loans and notes receivable as considered reasonable by management based on its assessment of collectibility. An allowance has also been established for the guaranteed loan program.

(f) Capital Assets

Capital assets, which consist of land, building, and equipment are stated at cost. Contributions of fixed assets are recorded at fair market value at the time received. Capital assets are defined by the Board as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Equipment	3 – 5 years

Fully depreciated fixed assets are included in capital asset accounts until their disposal.

It is the Board's policy to capitalize interest on debt incurred to finance the construction of capital assets, when material. There was no interest capitalized for the year ended June 30, 2004. During 2003, the Board capitalized interest paid to finance the construction of the St. Louis Conference Center Hotel parking garage. The total amount of interest incurred was \$559,546, the amount capitalized was \$217,315, and the amount expensed was \$342,231.

(g) Compensated Absences

Under terms of the Board's personnel policy, Board employees are granted vacation, personal days, sick, and compensatory leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, personal days, and compensatory hours. Employees are not paid for accumulated sick leave upon termination. The amounts of accrued vacation, personal days, and compensatory hours are included as a current liability in the accompanying combined financial statements. The costs of sick leave are recorded when paid and are not accrued.

(h) Bond Issue Costs

Bond issue costs represent costs related to the Series 1992-A Infrastructure Facilities Revenue Bond Program. These costs are being amortized over fifteen years as they are recovered through loan participation fees.

(i) Participation Fees

The Board receives participation fees on certain direct loans, loan guarantees, bonds, and tax credit contributions.

Direct infrastructure loans are made to local governmental entities for public infrastructure needs. A \$750 application fee is assessed for the direct infrastructure loans to cover legal counsel costs.

MISSOURI DEVELOPMENT FINANCE BOARD

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NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

Bond application fees are 0.1% of the amount of issuance limited to a minimum of \$500 and a maximum of \$2,500. The issuance fee for private bonds is on a scale ranging from 0.375% to 0.125%, depending on the size of the issue. The issuance fee for public bonds is 0.5% of the issue.

BUILD Missouri Business Use Incentives for Large-Scale Development application fees are \$1,000 and non-refundable. The issuance fees are assessed as 2.5% of the bond principal with an annual fee of .5% of the principal portion outstanding at each anniversary date. The fee to cover legal counsel costs is .6% of bond principal with a minimum of \$7,500, plus out of pocket expenses.

For each tax credit for contribution project, fees are 2% of the first one million dollars in contributions and 1% of the contributions thereafter.

(j) Issuance of Conduit Bonds

All of the bonds issued by the Board, with the exception of the long-term debt issued for the St. Louis Conference Center Hotel project (see Note 7), are conduit obligations with bond insurance and letters of credit. The debtor pays all debt service requirements. The bonds do not constitute an obligation of the Board or the State. See Note 12 for further information.

(k) Cash and Cash Equivalents

Cash and cash equivalents for the statements of cash flows include cash and short-term investments with original maturities of ninety days or less.

(l) Net Assets

Equity is categorized in the statement of net assets as invested in capital assets net of related debt, restricted, and unrestricted. Restricted consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Board's policy to use restricted resources first, then unrestricted resources when they are needed. Unrestricted consists of net assets not invested in capital assets that do not meet the definition of "restricted".

(m) Classification of Operating, Nonoperating, and Contributed Revenue

The Board has classified its revenues as operating, nonoperating, or contributed revenues according to the following criteria:

Operating revenues: Revenue sources directly related to the basic purpose of the Board and interest income on loans and fees and charges for services.

Nonoperating revenues: Revenue sources not directly related to the basic purpose of the Board and interest income on deposits and investments.

Contributed revenues: Contributions for tax credit program authorized under state statute and received for Board owned projects.

MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(2) Cash and Investments

Pursuant to the Board's formal investment policy, the Board's excess funds have been deposited in open accounts, time deposits, certificates of deposit, U.S. government agency securities, and repurchase agreements.

The Board's cash and investments are categorized to give an indication of the level of custodial risk assumed by the Board at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent, but not in the Board's name.

The Board's cash and investments are categorized as of June 30, 2004 as follows:

	Category			Carrying Amount
	1	2	3	
U.S. Government and agency securities	\$ -	\$ 51,063,624	\$ -	\$ 51,063,624
Cash deposits				12,680,955
Accrued interest				205,654
Total restricted and unrestricted cash and investments				\$ 63,950,233
As reflected on the statement of net assets:				
Cash				\$ 1,208,977
Investments				18,349,454
Accrued interest				128,272
Restricted assets				44,263,530
Total restricted and unrestricted cash and investments				\$ 63,950,233

MISSOURI DEVELOPMENT FINANCE BOARD
(A Component Unit of the State of Missouri)

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

The Board's cash and investments are categorized as of June 30, 2003 as follows:

	Category			Carrying Amount
	1	2	3	
U.S. Government and agency securities	<u>\$31,212,025</u>	<u>\$ 4,757,872</u>	<u>\$ -</u>	\$35,969,897
Certificates of deposit				12,916,123
Cash deposits				9,155,408
Accrued interest				<u>312,417</u>
Total restricted and unrestricted cash and investments				<u>\$ 58,353,845</u>
As reflected on the statement of net assets:				
Cash				697,140
Investments				20,877,938
Accrued interest				236,460
Restricted assets				<u>36,542,307</u>
Total restricted and unrestricted cash and investments				<u>\$ 58,353,845</u>

Collateralization at June 30, 2004 and 2003 is as follows:

	2004	2003
Deposits held in demand deposit accounts	\$ 12,680,955	\$ 9,155,408
Deposits held in certificate of deposit accounts	-	12,916,123
Total carrying amount of deposits	<u>\$ 12,680,955</u>	<u>\$ 22,071,531</u>
Insured by the FDIC	\$ 400,000	\$ 1,000,000
Collateralized with securities pledged by the financial institutions	9,688,077	11,420,452
Collateralized with letter of credit pledged by financial institutions	-	2,347,000
Amount not collateralized	<u>2,640,058</u>	<u>7,353,273</u>
Bank balance of deposits	<u>\$ 12,728,135</u>	<u>\$ 22,120,725</u>

As required by Missouri law, the depository banks pledge securities, in addition to the Federal Depository Insurance Corporation insurance, to equal or exceed the amount on deposit at all times. At June 30, 2004, securities with a total fair value of \$20,310,580 are held in a joint custody account with the Federal Reserve Bank.

MISSOURI DEVELOPMENT FINANCE BOARD
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NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

The amount not collateralized was due to one financial institution's failure to follow the Board's instructions regarding statutory collateral requirements. As of the issuance of this report, the Board's deposits at this financial institution have been collateralized properly.

At June 30, 2003, securities with a fair value of \$16,959,088 are held in a joint custody account with the Federal Reserve Bank. Securities with a fair value of \$2,574,324 are held in the name of the Board by a pledging institution's trust department or agent. Additionally, a pledging institution's agent issued letters of credit with a limit of \$2,420,000 with the Board named as beneficiary. A total of \$7,353,273 was not collateralized.

(3) Loans and Notes Receivable

Direct loans through the Industrial Development and Reserve Fund represent loans to individual companies and political subdivisions in Missouri. Direct loans through the Infrastructure Development Fund represents three percent loans made to local political subdivisions.

Loans and notes receivable at June 30, 2004 and 2003 are as follows:

	2004		2003	
	Current	Long-term	Current	Long-term
Industrial Development and Reserve Fund	\$ 1,670,000	\$ 6,679,500	\$ 1,097,324	\$ 6,599,398
Infrastructure Development Fund	203,496	1,872,333	199,058	2,074,682
Total	1,873,496	8,551,833	1,296,382	8,674,080
Less: allowance for doubtful loans	9,646	21,626	--	31,272
Total loans and notes receivable, net	<u>\$ 1,863,850</u>	<u>\$ 8,530,207</u>	<u>\$ 1,296,382</u>	<u>\$ 8,642,808</u>

(4) Restricted Assets

In November 1995, the Board issued \$8,800,000 of bonds for a Series 1995 Limited Obligation Leasehold Revenue Bond Program. The Board was required to deposit, from existing funds, an amount equal to 10% of the outstanding bond issuance in an escrow account. At June 30, 2004 and 2003, the outstanding bond balance was \$5,300,000 and \$5,500,000, requiring an escrow balance of \$530,000 and \$550,000 respectively.

In September 1992, the Board issued \$15,000,000 of bonds for a Series 1992-A Infrastructure Facilities Revenue Bond Program. The Board was required to deposit, from existing funds, \$25,000 in a separate issuer account.

In June 1999, May 2000, December 2003, and April 2004, the Board placed unrestricted Board funds of \$500,000 each into Second Loss Debt Service Reserve Funds for four of its infrastructure bonds, for a total of \$2,000,000.

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In December 2000, the Board issued \$39,555,000 of bonds to fund a loan for the St. Louis Conference Center Hotel and land and construction costs for the hotel's parking garage. The restricted assets held for this project at June 30, 2003 and 2004 are reserved as a contingency for the garage portion of the project.

Restricted assets consist of the following at June 30, 2004 and 2003:

	2004	2003
Leasehold Revenue Bond Program	\$ 530,000	\$ 550,000
Infrastructure Bond Debt Service Reserve Funds	2,025,000	1,025,000
Tax credit for contribution deposits (Note 6)	20,697,178	20,159,435
Designated per Board authorization for SLCCH Parking Garage operations	856,619	-
Old Post Office construction and reserve deposits (Note 10)	8,223,039	1,290,991
Total restricted assets – Industrial Development and Reserve Fund	<u>\$ 32,331,836</u>	<u>\$ 23,025,426</u>
	2004	2003
St. Louis Conference Center Hotel reserve deposits (Note 9)	\$ 3,728,595	\$ 4,979,398
Ninth Street Garage construction and reserve deposits (Note 10)	7,822,095	6,162,283
Kansas City Library Garage construction deposits (Note 10)	381,004	2,375,200
Total restricted assets – Parking Garage Fund	<u>\$ 11,931,694</u>	<u>\$ 13,516,881</u>

(5) Capital Assets

During August 1989, the Board received a \$2,400,000 contribution from a taxpayer to acquire and renovate a vacant, historic office building in downtown Kansas City, Missouri as part of a multi-block redevelopment effort. In conjunction with this purchase, the Board signed a twenty-year lease with the United Way of Kansas City (the "United Way") to rent the building upon completion of the renovation. The lease provides for monthly rental payments of \$2,084, with an option to purchase the building at the end of the lease term (August 1, 2009) for \$1,884,658. The lease is accounted for as an operating lease and the building and contribution have been recorded as land and building and invested in capital assets.

During 2000, the Board used a \$6,000,000 contribution from a taxpayer and \$21,100,000 in bond proceeds to purchase land and begin construction of a parking garage for the St. Louis Conference Center Hotel project. When the Parking Garage Fund was established during 2003, this contribution was transferred from the Industrial Development and Reserve Fund. The garage began operations during August 2002.

During 2003, the Board used a \$10,000,000 contribution from a taxpayer to purchase and begin development of the Old Post Office project in downtown St. Louis. The proceeds have been used for the design phase of the Old Post Office renovation and land and demolition costs for an office building adjacent to the Old Post

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Office that will be replaced by a parking garage. The Old Post Office portion of the project is accounted for within the Industrial Development and Reserve Fund, and the garage portion is accounted for in the Parking Garage Fund. Both portions of the project are included in construction in process at June 30, 2004 and 2003. See Note 12.

During 2003, the Board also used a portion of \$5,000,639 in contributions from several taxpayers to begin construction of a parking garage to support the new downtown headquarters for the Kansas City Public Library. The garage began operations during April 2004. At June 30, 2003, capital assets related to this project were included in construction in process.

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions/ Retirements	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 8,039,625	\$ 27,355	\$ -	\$ 8,066,980
Construction in process	1,684,451	9,358,820	5,862,226	5,181,045
Total capital assets, not being depreciated	<u>9,724,076</u>	<u>9,386,175</u>	<u>5,862,226</u>	<u>13,248,025</u>
Capital assets, being depreciated:				
Building	19,608,825	7,033,255	-	26,642,080
Equipment	138,551	-	90,500	48,051
Total capital assets, being depreciated	<u>19,747,376</u>	<u>7,033,255</u>	<u>90,500</u>	<u>26,690,131</u>
Less: accumulated depreciation for:				
Building	1,224,300	534,104	-	1,758,404
Equipment	129,142	6,434	90,500	45,076
Total accumulated depreciation	<u>1,353,442</u>	<u>540,538</u>	<u>90,500</u>	<u>1,803,480</u>
Total capital assets, being depreciated, net	<u>18,393,934</u>	<u>6,492,717</u>	<u>-</u>	<u>24,886,651</u>
Total capital assets, net	<u>\$ 28,118,010</u>	<u>\$ 15,878,892</u>	<u>\$ 5,862,226</u>	<u>\$ 38,134,676</u>

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A summary of capital assets by fund at June 30, 2004 follows:

	Industrial Development and Reserve Fund	Parking Garage Fund	Total Capital Assets
Land	\$ -	\$ 8,066,980	\$ 8,066,980
Building	2,400,000	24,242,080	26,642,080
Equipment	48,051	--	48,051
Construction in process	1,588,445	3,592,600	5,181,045
Sub-total	4,036,496	35,901,660	39,938,156
Less: accumulated depreciation	(935,076)	(868,404)	(1,803,480)
Total capital assets, net	\$ 3,101,420	\$ 35,033,256	\$ 38,134,676

Capital asset activity for the year ended June 30, 2003 was as follows:

	Balance July 1, 2002	Additions	Deletions/ Retirements	Balance June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 4,705,000	\$ 3,334,625	\$ -	\$ 8,039,625
Construction in process	14,122,938	4,770,338	17,208,825	1,684,451
Total capital assets, not being depreciated	18,827,938	8,104,963	17,208,825	9,724,076
Capital assets, being depreciated:				
Building	2,400,000	17,208,825	-	19,608,825
Equipment	133,253	5,298	-	138,551
Total capital assets, being depreciated	2,533,253	17,214,123	-	19,747,376
Less: accumulated depreciation for:				
Building	770,000	454,300	-	1,224,300
Equipment	93,015	36,127	-	129,142
Total accumulated depreciation	863,015	490,427	-	1,353,442
Total capital assets, being depreciated, net	1,670,238	16,723,696	-	18,393,934
Total capital assets, net	\$ 20,498,176	\$ 24,828,659	\$ 17,208,825	\$ 28,118,010

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A summary of capital assets by fund at June 30, 2003 follows:

	Industrial Development and Reserve Fund	Parking Garage Fund	Total Capital Assets
Land	\$ -	\$ 8,039,625	\$ 8,039,625
Building	2,400,000	17,208,825	19,608,825
Equipment	138,551	-	138,551
Construction in process	595,692	1,088,759	1,684,451
Sub-total	3,134,243	26,337,209	29,471,452
Less: accumulated depreciation	(959,142)	(394,300)	(1,353,442)
Total capital assets, net	\$ 2,175,101	\$ 25,942,909	\$ 28,118,010

(6) Tax Credit for Contribution Deposits

The Board administers the Missouri Tax Credit for Contribution program. The program was authorized in 1989 by passage of RSMo 100.286.6. Through this program, the Board is authorized to grant tax credits against certain state income taxes equal to fifty percent of contributions. Eligible infrastructure projects are granted the contributions. Contributions received by the Board are remitted to fund the project upon requests supported by proof of eligible reimbursable project expenditures. Contributions on deposit with the Board are reflected as restricted assets and a liability in the accompanying financial statements. At June 30, 2004 and 2003, the Board held Tax Credit for Contribution deposits of \$20,697,178 and \$20,159,435, respectively.

(7) Long-Term Debt

Summary of debt held as of June 30, 2004 and 2003, is as follows:

	2004	2003
\$6,500,000 St. Louis Convention Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds; and \$14,600,000 St. Louis Convention Center Hotel Series 2000C, tax exempt infrastructure facilities revenue bonds. Due in annual installments of \$400,000 to \$15,600,000 beginning December 1, 2016 through December 1, 2020, plus interest up to 8.5%	\$ 18,100,000	\$ 21,100,000

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Changes in long-term debt for the year ended June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Reductions	Balance July 1, 2004	Due within one year
Infrastructure facilities					
revenue bonds	<u>\$ 21,100,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 18,100,000</u>	<u>\$ -</u>

Changes in long-term debt for the year ended June 30, 2003 were as follows:

	Balance July 1, 2002	Additions	Reductions	Balance July 1, 2003	Due within one year
Revenue anticipation notes	\$ 13,455,000	\$ -	\$ 13,455,000	\$ -	\$ -
Infrastructure facilities					
revenue bonds	24,100,000	-	3,000,000	21,100,000	-
Total	<u>\$ 24,100,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 21,100,000</u>	<u>\$ -</u>

The annual debt service requirements as of June 30, 2004 are as follows:

	Principal	Interest	Total
2005	\$ --	\$ 1,798,414	\$ 1,798,414
2006	--	1,793,500	1,793,500
2007	--	1,793,500	1,793,500
2008	--	1,768,000	1,768,000
2009	--	1,747,274	1,747,274
2010	--	1,717,000	1,717,000
2011	--	1,691,500	1,691,500
2012	--	1,666,000	1,666,000
2013	--	1,644,995	1,644,995
2014	--	1,606,500	1,606,500
2015	--	1,572,500	1,572,500
2016	400,000	1,538,500	1,938,500
2017	400,000	1,508,622	1,908,622
2018	500,000	1,470,500	1,970,500
2019	600,000	1,428,000	2,028,000
2020	600,000	1,377,000	1,977,000
2021	15,600,000	1,329,633	16,929,633
Totals	<u>\$ 18,100,000</u>	<u>\$ 27,451,438</u>	<u>\$ 45,551,438</u>

The annual debt service schedule above assumes an interest rate of 8.5%, representing the maximum interest rate under a rate cap agreement purchased during closing of the financing for the St. Louis Conference Center Hotel and Garage project. The actual interest paid during 2004 and 2003 averaged 1.08% and 1.26%, respectively.

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The rate cap agreements purchased were 8.5% on the Series B bonds and 6.7% on the Series C bonds with an expiration date of December 1, 2007. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate.

In March 2004, the Board made principal payments for Series B bonds and Series C bonds in the amount of \$1,300,000 and \$1,700,000, respectively. These payments were used to offset scheduled debt service payments for years 2006 through 2016.

(8) Deferred Revenue

In March 2003, the Board received \$10,000,000 in exchange for tax credits that will benefit the Old Post Office and Ninth Street Garage project in St. Louis. During the year ended June 30, 2004, the Board received an additional \$10,800,000 in contributions for tax credits. As of June 30, 2004 and 2003, the project had not yet been finalized and closed. These amounts are refundable either to the State of Missouri or the contributor if the projects do not close. As a result, as of June 30, 2004 and 2003, the Board has deferred recognition of a total of \$15,800,000 and \$5,000,000, respectively, of contributions until the project is finalized. Amounts related to the Old Post Office project are recorded in the Industrial Development and Reserve Fund and amounts related to the Ninth Street Garage project are recorded in the Parking Garage Fund. See Note 12

Deferred revenue in the Industrial Development and Reserve Fund at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Deferred project contribution revenue	\$ <u>10,077,000</u>	\$ <u>1,900,000</u>

Deferred revenue in the Parking Garage Fund at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Deferred project contribution revenue	\$ <u>5,723,000</u>	\$ <u>3,100,000</u>

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(9) Rental Income

Future minimum rental income on noncancelable operating leases is as follows:

	Industrial Development & Reserve Fund	Parking Garage Fund
2005	\$ 25,008	\$ 579,282
2006	25,008	579,282
2007	25,008	579,282
2008	25,008	579,282
2009	25,008	579,282
2010-2014	3,126	2,896,410
2015-2019	-	2,896,410
2020-2024	-	2,798,493
After 2024	-	13,096,818
Totals	<u>\$ 128,166</u>	<u>\$ 24,584,541</u>

The building being leased from the Industrial Development and Reserve Fund is located in downtown Kansas City and is leased by the United Way of Greater Kansas City. The carrying value of the building is \$2,400,000 and accumulated depreciation at June 30, 2004 and 2003 was \$890,000 and \$830,000 respectively. The lease expires August 15, 2009.

The parking garage being leased from the Parking Garage Fund is an 880 space garage constructed by the Board to support the St. Louis Conference Center Hotel project in downtown St. Louis. The carrying value of the garage is \$21,913,825 with accumulated depreciation of \$824,446 and \$394,300 as of June 30, 2004 and 2003, respectively. The hotel operator leases a minimum of 375 spaces with the option of leasing up to 275 additional spaces with proper notice. The minimum lease payment for the hotel's use of the garage is \$554,282 per year with an expiration date of February 15, 2048. In addition to the hotel, the nearby Merchandise Mart, a mixed-use development with apartments and retail space, has a lease for up to 118 spaces in this parking garage with minimum annual lease payments of \$25,000 through August 2, 2021.

(10) Contributed Assets

During the year ended June 30, 2004, the Board received contributions for tax credits totaling \$10,800,000 to fund the Old Post Office and Ninth Street Garage project and \$5,799,361 to fund the Kansas City Library project. Of that amount, \$5,799,361 has been recognized as contributed revenue in the statement of revenues, expenses, and changes in net assets, and \$8,177,000 and \$2,623,000 have been recorded as deferred revenue in the Industrial Development and Reserve Fund and Parking Garage Fund, respectively.

During the year ended June 30, 2003, the Board received \$15,000,639 of contributions for tax credits to fund the Old Post Office & Ninth Street Garage and Kansas City Library Garage projects. Of that amount, \$10,000,639 was recognized as contributed revenue in the statement of revenues, expenses, and changes in net assets, and \$1,900,000 and \$3,100,000 were recorded as deferred revenue in the Industrial Development and Reserve Fund and Parking Garage Fund, respectively.

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(11) Interfund Balances and Activity

The Board has recorded income and expense items between the various funds to account for fees the Board is permitted to retain in the Industrial Development Reserve Fund related to various projects reported in the Parking Garage Fund. These amounts and balances were eliminated in the financial statements.

Balances due to/from other funds at June 30, 2004, consisted of the following:

Due to the Industrial Development and Reserve Fund from the Parking Garage Fund representing funds to cover operational shortfalls for the KCLG in the first month of operation and to cover insurance costs paid by the Industrial Development and Reserve Fund on behalf of the Parking Garage Fund	\$ <u>12,127</u>
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Transfers to/from other funds for the year ended June 30, 2004 were as follows:

Transfer from the Industrial Development and Reserve Fund to the Parking Garage Fund represents a transfer of funds from Board Restricted assets to assist in the payment of SLCCH 2000 B and 2000 C Bonds	\$ <u>1,650,000</u>
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Balances due to/from other funds at June 30, 2003, consisted of the following:

Due to the Parking Garage Fund from the Industrial Development and Reserve Fund representing participation fees transferred in error	\$ 60,006
Due to the Industrial Development and Reserve Fund from the Parking Garage Fund for participation fees earned when parking garage became operational	354,128
Due to the Industrial Development and Reserve Fund from the Infrastructure Development Fund representing legal fees paid for new loans	<u>2,250</u>
Total due to/from other funds	\$ <u>416,384</u>

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Transfers to/from other funds for the year ended June 30, 2003 were as follows:

Transfer to the Industrial Development and Reserve Fund from the Parking Garage Fund representing participation and professional fees related to the St. Louis Conference Center Hotel project financing	\$ 350,504
Transfer to the Industrial Development and Reserve Fund from the Parking Garage Fund representing participation and professional fees related to the financing of the parking garage portion of the Old Post Office project	93,500
Transfer to the Industrial Development and Reserve Fund from the Parking Garage Fund representing participation fees and miscellaneous expenses related to each parking garage	<u>9,559</u>
Total transfers to/from other funds	\$ <u>453,563</u>

(12) Commitments and Contingencies

(a) Loan Guarantees

The Board has guaranteed repayment to the financial institution holding the loan of up to 45% of the outstanding guaranteed balance of certain approved loans to businesses in the State. Total loans outstanding under the Loan Guarantee Program amounted to approximately \$31,443 and \$115,080 at June 30, 2004 and 2003, respectively, of which approximately \$6,957 and \$32,261 was guaranteed by the Board. During 2004, no loans defaulted.

(b) Conduit Bond Issues

As of June 30, 2004, The Board has issued \$704,327,420 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$995,105,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes at June 30, 2004, were approximately \$431,759,000, \$3,175,000, and \$475,610,000, respectively.

As of June 30, 2003, the Board had issued \$702,452,603 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$792,020,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes at June 30, 2003 were approximately \$548,363,100, \$5,285,000, and \$315,830,000, respectively.

The Board has no liability for repayment of the above revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded in the accompanying combined financial statements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

(c) Legal Matters

On May 28, 2003, a lawsuit was filed under the National Historic Preservation Act ("NHPA") against the Board and numerous other parties to stop the demolition of the Board-owned Century Building in downtown St. Louis (First Complaint) That demolition project is being undertaken in compliance with the order of a

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Missouri Circuit judge that pre-dates the plaintiff's complaint by over two-and-a-half years and the plaintiff's acquisition of a downtown condominium unit in the affected area by three months. Because of this, the Board does not feel the plaintiff has a legitimate claim.

On July 14, 2004, a lawsuit was filed (by the "Class Action Plaintiffs") for inverse condemnation on behalf of an alleged class of similarly situated downtown residents, claiming monetary damages in the amount of \$43 million (Second Complaint). The Class Action Plaintiffs allege that they will suffer such damages upon the demolition of the Century Building.

On September 21, 2004, a lawsuit was filed by an additional Plaintiff and the Plaintiffs in the preceding lawsuits claiming that certain state historic tax credits that are anticipated to be issued in connection with the rehabilitation of the Old Post Office cannot be issued under Missouri state law (Third Complaint).

On October 18, 2004 Landmarks Association of St. Louis filed a lawsuit in federal court seeking a temporary restraining order in order to prevent the continued demolition of the Century Building pending a further inquiry into whether NHPA had been violated with the demolition of the Century Building.

All four complaints have threatened to halt the rehabilitation of the Old Post Office, which is scheduled to become the new home of the Missouri Court of Appeals and Webster University and which will serve as the centerpiece for the rehabilitation of vacant and underutilized historic buildings near the Old Post Office as well as the Ninth Street Garage to be built on the site of the Century Building. Plaintiff is attempting to stop the long-planned rehabilitation of the Old Post Office and the state court-ordered demolition of the derelict Century Building for the construction of the Ninth Street Garage by asking the Court to declare the developers of the Old Post Office ineligible to receive federal and state historic preservation tax credits that are to be awarded after the Old Post Office rehabilitation project is complete.

The Board filed a motion to dismiss plaintiff's complaints, citing numerous bases for such motion in the First Complaint and such motion was granted. The Board filed a similar motion to dismiss the Second Complaint and such motion was granted on October 18, 2004. The motion for the temporary restraining order in the Fourth Complaint was denied on October 20, 2004.

(d) Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers' compensation claims. The Board carries commercial insurance for theft of assets and workers' compensation. The Board carries commercial property, comprehensive liability, and business interruption insurance policies on the St. Louis Conference Center Hotel and Kansas City Library parking garages. The Board is self-insured for all other risks of loss.

The Board had no material unpaid claims, liabilities, or settlements related to any loss in any of the past three years. Other than the coverage for the Kansas City Library parking garage in 2004 and the St. Louis Conference Center Hotel parking garage in 2003, no substantive changes were made in the type and amounts of the Board's insurance coverage during 2004 and 2003.

(e) Construction Commitments

The Board as owner; MC Lioness Realty Group, LLC as the project manager; and DLPG, LLC as the developer; entered into a garage development agreement for the construction of the Kansas City Public Library Parking Garage on April 15, 2003. The agreement stipulated that DLPG, LLC deliver a fully

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executed garage construction contract with a guaranteed maximum price of not more than \$6,472, 670 and authorized the construction contractor, J.E. Dunn to proceed with construction of the parking garage. The actual construction contract was between J.E. Dunn and DLPG, LLC and the contractor delivered a performance bond that was sufficient cover 100% of the labor and materials for the construction of the parking garage. The garage portion of the contract was completed during the year ended June 30, 2004, and the garage was placed into service in April 2004. As of June 30, 2004, a total of \$1,737,720 has been incurred under a second construction contract totaling \$1,950,000 for the construction of the garage façade.

(13) Employees' Retirement Plan

(a) Defined Contribution Pension Plan

In 1993, the Board established a defined contribution pension plan, called the MDFB Simplified Employee Plan (SEP) IRA, which is currently administered by Prudential Investments, a division of The Prudential Insurance Company of America. The Board has the authority to amend or terminate the plan's provisions at any time. Contributions are discretionary and determined on an annual basis by the Board. There are no contribution requirements for employees.

Employees are eligible to participate in the plan on January 1 after service to the Board in at least three calendar years. Eligible employees are fully vested at the time of contribution. The Board contributed \$33,180 and \$24,607 for the years ended June 30, 2004 and 2003, respectively. The contributions amounted to 10% of the eligible employees' salaries for each of the years then ended.

(b) Deferred Compensation Plan

In 2002, the Board established a deferred compensation plan called the Missouri Development Finance Board 457 Deferred Compensation Plan (457 plan) and the deferred compensation match plan called the Missouri Development Finance Board 401(a) Deferred Compensation Match Plan (401(a) plan), which are currently administered by Nationwide Retirement Solutions, Inc.

The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees are eligible to participate in the plans after one year of service to the Board and must contribute \$25 per month to receive the employer matching contribution of \$25 per month. Compensation deferred under the Plan is invested at the direction of the covered employee.

(14) Subsequent Event

In November 2002, the Board began participating in two related redevelopment projects in downtown St. Louis, Missouri. The first project, commonly referred to as the "Old Post Office Project" or the "OPO Project," consists of the acquisition and renovation of the U.S. Custom House and Old Post Office. The second project consists of the acquisition and demolition of the Century Building, and the construction of a new 1,050 space multi-level parking garage located to the West of the OPO Project. This project is known as the "Ninth Street Garage Project" or the "NSG Project." As of June 30, 2004, the Board had incurred costs of approximately \$4,758,000 for both projects, which are included in construction in progress on the statement of net assets, and has deferred contribution revenue of \$15,800,000, which will be recognized when the project is closed. Also see Notes 8 and 12.

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The Board acquired title to the OPO Project on October 13, 2004 from the U. S. General Services Administration and executed a 99-year lease of the OPO Project with St. Louis' U. S. Custom House and Post Office Building Associates, L.P., a Missouri limited partnership (the "OPO Master Lessee"). The Master Lessee will be responsible for all aspects of the ownership, environmental remediation, restoration, financing and operation of the OPO Project. Renovation of the OPO Project is expected to be completed in December of 2005. In connection with the financial closing of the OPO Project on October 14, 2004, the Board made a subordinated loan to the OPO Master Lessee in the amount of \$12,356,800 to assist in the financing of the OPO Project. The stated interest rate on the loan through 2012 is .5% and thereafter adjusts to 1%. Interest is payable solely from the Project's cash flow or the Developers' Guarantee of operating deficits. Principal payments begin in 2015. Pursuant to the OPO Master Lease the Board has an option to purchase the OPO leasehold interest from the OPO Master Lessee at fair market value beginning in 2014.

In addition to the subordinated loan described above, the Board established a second loan loss reserve in the amount of \$1.5 million with the first mortgage lender on the OPO Project. This amount will be held in escrow in a refinancing reserve account established by the lender. Interest on the escrow account accrues to the Board. In the event the OPO Master Lessee is unable to refinance the first mortgage at maturity in 2012, the lender is permitted to apply amounts in the second loan loss reserve to the payment of the principal of the first mortgage loan, after applying all other amounts held as collateral for the first mortgage loan. Upon application of such amounts, the first mortgage will be converted to a loan from the Board to the OPO Master Lessee secured by tax increment revenues derived from the OPO.

The NSG Project is owned by the Board and consists of the development and construction of an approximately 1,050 space parking garage located on the west side of Ninth Street directly across from the OPO Project. The land was purchased in April, 2003. The Board has entered into long-term leases with tenant of the OPO Project and with surrounding businesses and building owners.

The total costs of acquiring, constructing and providing for the initial operations of the NSG Project are estimated to be \$32,793,200. Of that amount, approximately \$3,200,000 has been incurred through June 30, 2004. Approximately \$15,793,000 of the total cost will be funded by the Board from the proceeds of contributions made by St. Louis businesses and foundations pursuant to the Board's tax credit for contribution program. An additional amount of \$500,000 will be contributed by the Board from its cash reserves. The balance of the NSG Project costs will be funded from the proceeds of the Board's \$16,500,000 Infrastructure Facilities Revenue Bonds (Ninth Street Garage Project) Series 2004 issued on October 14, 2004. The bonds are variable rate bonds with a stated maturity date of October 1, 2034. The bonds are secured by a direct pay letter of credit issued by Bank of America, N.A., which expires on October 5, 2011. The reimbursement agreement between the Board and the bank contains certain covenants and requirements.

The NSG Project is being developed pursuant to the Ninth Street Garage Development Agreement, entered into between the Board and NSG Developers, L.L.C., a Missouri limited liability company (the "NSG Developer"). The Development Agreement requires the NSG Developer to deliver to the Board a Garage Construction Contract providing for the construction of the Garage and payment of all ancillary architectural, engineering, development and other "hard costs" for an all-in amount of \$27,513,400. The obligations of the NSG Developer are guaranteed by DESCO Investment Company, LLC, a Missouri limited liability company, ORION 2002, LLC, a Missouri limited liability company, and Steven J. Stogel, pursuant to a separate Construction Completion Guaranty. Environmental remediation began in April 2003 and demolition commenced on October 14, 2004. The project is scheduled to be completed by July 2006, when it will be managed by a commercial garage operator pursuant to a separate garage management agreement.

**STATISTICAL SECTION
(UNAUDITED)**

MISSOURI DEVELOPMENT FINANCE BOARD
EXPENSES BY SOURCE

Fiscal Year Ended	Operating Expenses							Non-Operating Expense		
	Personnel	Professional Fees	Travel	Supplies and Other	Depreciation and Amortization	Parking Garage Operating Expense	Loan Guarantee Default	Miscellaneous	Bond Interest Expense	Bond Expense
2004	\$ 534,550	\$ 102,686	\$ 35,881	\$ 125,957	\$ 544,707	\$ 568,394	\$ -	\$ 21,094	\$ 210,760	\$ 249,137
2003	497,701	217,156	68,610	66,837	494,597	334,825	-	29,934	342,231	-
2002	410,064	77,294	47,253	58,470	99,571	-	-	16,369	664,843	-
2001	399,044	35,022	40,307	36,465	97,252	-	-	36,250	531,833	-
2000	363,858	44,062	65,262	101,664	80,278	-	132,179	-	-	-
1999	263,387	111,893	47,532	43,496	95,292	-	257,037	-	-	-
1998	250,168	38,680	36,214	54,846	74,426	-	96,301	15,000	-	-
1997	176,342	75,703	34,544	40,720	74,887	-	-	3,761	-	-
1996	155,443	26,360	31,188	88,468	72,995	-	59	25,000	-	-
1995	109,925	29,340	38,691	25,850	72,234	-	258,661	156,105	-	-

Data Source: Records of the Missouri Development Finance Board

MISSOURI DEVELOPMENT FINANCE BOARD
REVENUES BY SOURCE

Fiscal Year Ended	Operating Revenues							Non-Operating Revenues	Contributed Revenue
	Participation Fees	Interest on Loans and Notes Receivable	Rent	Contractual	State Payments - Loan Guarantee Defaults	Parking Garage Operating Income	Miscellaneous	Interest on Cash and Investments	Contributed Assets (1)
2004	\$ 1,373,659	\$ 223,954	\$ 25,008	\$ 56,934	\$ -	\$ 1,573,553	\$ 14,552	\$ 576,685	\$ 5,799,361
2003	774,309	826,956	25,008	56,684	-	730,097	1,187	598,341	10,000,639
2002	953,849	1,968,567	25,008	64,011	-	-	86,263	799,799	-
2001	708,783	1,216,670	25,008	52,162	-	-	40,364	1,700,339	7,250,000
2000	2,137,021	1,321,095	25,008	52,188	-	-	89	973,631	-
1999	894,503	308,915	32,061	58,918	257,037	-	174	655,840	-
1998	1,302,647	565,377	52,568	72,149	96,301	-	88	386,600	-
1997	260,270	260,243	25,008	68,550	-	-	746,545	400,351	-
1996	260,179	532,680	25,008	50,400	59	-	39,234	26,693	-
1995	404,662	417,786	25,008	-	258,661	-	92,947	15,465	-

Data Source: Records of the Missouri Development Finance Board

(1) During fiscal year 2001, the Missouri Development Finance Board adopted GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*. In previous years contributed assets were recorded as increases to contributed capital.

MISSOURI DEVELOPMENT FINANCE BOARD
CONDUIT BOND ACTIVITY

Fiscal Year	Single Issue Industrial Revenue Bonds		Private Activity Composite Industrial Revenue Bonds		Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds	
	Principal Issued	Number of Issuances	Principal Issued	Number of Issuances	Principal Issued	Number of Issuances
Cumulative	\$ 704,327,420	69	\$ 57,810,000	28	\$ 995,105,000	46
2004	1,774,369	1	-	-	221,675,000	10
2003	11,390,000	1	-	-	93,205,000	3
2002	187,505,000	6	-	-	109,320,000	7
2001	8,000,000	1	-	-	68,330,000	3
2000	205,750,000	5	-	-	164,575,000	5
1999	62,812,000	3	-	-	24,600,000	3
1998	40,165,000	3	-	-	129,600,000	3
1997	7,200,000	2	-	-	17,900,000	1
1996	18,700,000	5	-	-	8,800,000	1
1995	17,115,000	4	-	-	32,690,000	4

Data Source: Records of the Missouri Development Finance Board

MISSOURI DEVELOPMENT FINANCE BOARD
REVENUE BOND COVERAGE

Fiscal Year Ended (1)	Gross Revenue	Current Expenses (2)	Available for Debt Service	Debt Service Requirements (Cash Basis)			
				Principal (3)	Interest	Total	Coverage
2004	\$ 3,844,345	\$ 1,388,562	\$ 2,455,783	\$ 253,460	\$ -	\$ 253,460	9.69
2003	3,012,582	1,215,063	1,797,519	-	641,101	641,101	2.80
2002	3,897,497	609,450	3,288,047	-	687,999	680,020	4.84
2001	3,743,326	547,088	3,196,238	-	407,719	474,698	6.73

Data Source: Records of the Missouri Development Finance Board

- (1) Fiscal year 2001 was the first year the Missouri Development Finance Board has issued revenue bonds for its activities.
- (2) Excludes depreciation, amortization, and non-operating expense.
- (3) Excludes an early redemption of \$3.0 million, \$13.455 million and \$5.0 million in bonds during fiscal years 2004, 2003 and 2002, respectively, that were not due until fiscal years 2006 -2014.

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
ECONOMIC DATA

Industrial Growth				
<u>Fiscal Year</u>	<u>Expanding Companies</u>	<u>New Companies</u>	<u>New Jobs</u>	<u>Investment (In Thousands)</u>
2004	75	35	10,696	\$ 1,524,343
2003	44	27	7,399	695,461
2002	83	39	12,176	1,531,699
2001	69	29	10,246	849,447
2000	129	53	11,732	1,204,065
1999	301	28	7,687	1,582,768
1998	303	78	11,322	2,404,156
1997	245	48	13,593	2,503,116
1996	162	85	8,291	1,154,439
1995	156	115	14,236	889,919

Data Source: Missouri Department of Economic Development

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
ECONOMIC DATA

Bank Deposits (In Millions)			
<u>Fiscal Year</u>	<u>State Banks</u>	<u>National Banks</u>	<u>Total Deposits</u>
2004	\$ 43,893	\$ 20,992	\$ 64,885
2003	41,407	21,039	62,446
2002	41,184	21,768	62,952
2001	32,950	20,219	53,169
2000	29,990	30,618	60,608
1999	31,634	34,945	66,579
1998	31,111	22,370	53,481
1997	28,167	20,002	48,169
1996	29,303	33,705	63,008
1995	30,152	27,297	57,449

Data Source: Missouri Department of Economic Development

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
ECONOMIC DATA

Privately Owned Housing Units Authorized By Building Permits

<u>Calendar Year</u>	<u>Number of Units</u>	<u>Valuation (In Thousands)</u>
2003	29,309	\$ 3,596,524
2002	28,255	3,186,632
2001	24,739	2,750,047
2000	24,321	2,569,405
1999	26,840	2,739,418
1998	25,657	2,424,875
1997	25,156	2,265,005
1996	26,298	2,275,667
1995	24,282	2,032,503
1994	26,374	2,149,313

Data Source: U.S. Department of Commerce -- Bureau of the Census

Major Private Employers

The State's major private employers and the approximate number employed by each in 2002 were as follows:

<u>Employer</u>	<u>Number Employed</u>
1. Wal-Mart Associates, Inc.	32,500 - 35,000
2. Boeing Corporation	12,500 - 15,000
3. Washington University	12,500 - 15,000
4. Schnuck Markets, Inc.	10,000 - 12,500
5. Barnes-Jewish Hospital	7,500 - 10,000
6. May Department Stores	7,500 - 10,000
7. Ford Motor Company	7,500 - 10,000
8. Daimler Chrysler	5,000 - 7,500
9. Lester E Cox Medical	5,000 - 7,500
10. American Airlines, Inc.	5,000 - 7,500
11. SBC Management	5,000 - 7,500
12. Hallmark Cards	5,000 - 7,500
13. AT&T Corporation	5,000 - 7,500
14. St. John's Regional Health Center	5,000 - 7,500
15. St. Louis University	5,000 - 7,500

Data Source: Missouri Department of Economic Development

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
DEMOGRAPHIC STATISTICS

Population Statistics				
Census Year	Population (In Thousands)	% Change	% of Total	
			Urban	Rural
2000	5,595	9.3	67.8	32.2
1990	5,117	4.1	68.7	31.3
1980	4,917	5.1	68.1	31.9
1970	4,677	8.3	70.1	29.9
1960	4,320	9.2	66.6	33.4
1950	3,955	4.5	61.5	38.5
1940	3,785	4.3	51.8	48.2
1930	3,629	6.6	51.2	48.8
1920	3,404	3.4	46.6	53.4
1910	3,293	6.0	42.3	57.7

Data Sources: U.S. Department of Commerce -- Bureau of the Census

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
DEMOGRAPHIC STATISTICS

School Enrollment (In Thousands)				
Academic Year	Elementary and Secondary Enrollment (1)	Higher Education Enrollment (2)	Totals	% Change From Prior Year
2003-04	893	231	1,124	0.5%
2002-03	894	224	1,118	1.4%
2001-02	890	213	1,103	0.3%
2000-01	894	206	1,100	0.2%
1999-00	895	203	1,098	0.5%
1998-99	895	198	1,093	0.6%
1997-98	893	194	1,087	1.4%
1996-97	883	189	1,072	1.1%
1995-96	874	186	1,060	1.0%
1994-95	862	188	1,050	0.9%

Data Sources: (1) Missouri Department of Elementary and Secondary Education

(2) Missouri Department of Higher Education. These statistics are based on full-time equivalent enrollment and do not include professional/technical schools.

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
DEMOGRAPHIC STATISTICS

Personal Income						
Calendar Year	Missouri Total Personal Income (In Millions)	U.S. Total Personal Income (In Millions)	Missouri Per Capita Personal Income	U.S. Per Capita Personal Income	Missouri % Change From Prior Year	U.S. % Change From Prior Year
2003	\$ 165,967	\$ 9,148,680	\$ 29,094	\$ 31,459	2.5	2.2
2002	164,143	8,922,320	28,936	30,941	2.5	1.7
2001	159,093	8,677,490	28,221	30,413	2.6	2.2
2000	154,099	8,398,871	27,493	29,760	6.3	6.7
1999	143,814	7,779,521	25,857	27,880	2.7	3.7
1998	138,987	7,418,497	25,171	26,893	5.2	5.8
1997	131,144	6,928,545	23,926	25,412	4.8	4.7
1996	123,992	6,538,103	22,828	24,270	4.4	4.4
1995	117,640	6,192,235	21,873	23,255	3.7	4.1
1994	112,314	5,878,362	21,094	22,340	4.6	3.7

Data Source: U.S. Department of Commerce -- Bureau of Economic Analysis

MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
DEMOGRAPHIC STATISTICS

Employment
(In Thousands Except Unemployment Rates Data)

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployed</u>	<u>Missouri Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2003	3,021	2,850	170	5.6	6.0
2002	2,990	2,825	165	5.5	5.8
2001	2,970	2,830	140	4.7	4.7
2000	2,930	2,828	102	3.5	4.0
1999	2,841	2,745	96	3.4	4.2
1998	2,854	2,735	119	4.2	4.5
1997	2,891	2,769	122	4.2	4.9
1996	2,905	2,772	133	4.6	5.4
1995	2,833	2,698	135	4.8	5.6
1994	2,698	2,567	131	4.9	6.1

Data Source: Missouri Department of Labor and Industrial Relations

**MISSOURI DEVELOPMENT FINANCE BOARD
(STATE OF MISSOURI)
SCHEDULE OF MISCELLANEOUS STATISTICS
As of June 30, 2004**

Missouri Development Finance Board

Dates of Legislative Authorization.....	1982,1985,1989,1993
Number of Projects Since Inception.....	366
Amount of Board Authorized Projects Since Inception	\$1,950,208,064

State of Missouri

Adoption of State Constitution	1821, 1865, 1877, 1945
Land Area (Square Miles).....	68,945
Miles of State Highway.....	32,397

State Highway Patrol Protection:

Number of Troops (Stations)	9
Number of Commissioned Highway Patrol Officers	911

Higher Education:

Public Community Colleges -	
Number of Campuses.....	18
Number of Students [average annual full-time equivalent (FTE)]	52,227
Number of Regular Term Teaching Positions (FTE)	1,224
State Technical College -	
Number of Campuses.....	1
Number of Students (FTE).....	867
Number of Regular Term Teaching Positions (FTE)	45
State Colleges/Universities -	
Number of Campuses.....	14
Number of Regular Term Students (FTE)	99,395
Number of Regular Term Teaching Positions (FTE)	4,409

Recreation:

Number of State Parks and Historic Sites	83
Acres of State Parks and Historic Sites.....	140,345
Number of State Conservation Areas.....	1,128
Acres of State Conservation Areas	976,374

Sources:

Land Area.....	Missouri State Manual
Miles of Highway.....	Department of Transportation
State Highway Patrol Protection	Department of Public Safety/Highway Patrol
Higher Education	Department of Higher Education
Recreation	Department of Conservation
	Department of Natural Resources/Division of State Parks

**MISSOURI DEVELOPMENT FINANCE BOARD
ACKNOWLEDGEMENTS**

Report Prepared by:

Pamela Ives Hill, CPA, EDFP – Assistant Director and Controller
Krystal Sabartinelli– Accountant
Tonya Loucks – Accountant --

With Assistance from:

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